



SUSTAINING DIGITAL EXCELLENCE

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022



CORPORATE INFORMATION

Registered Office

DCB House,
Plot No. 182 Block R,
Magomeni Mwembechai,
P.O Box 19798,
Dar es Salaam.

Main Bankers

Bank of Tanzania,
P.O Box 2939,
Dar es Salaam.

NMB Bank Plc,
P.O Box 9213,
Dar es Salaam.

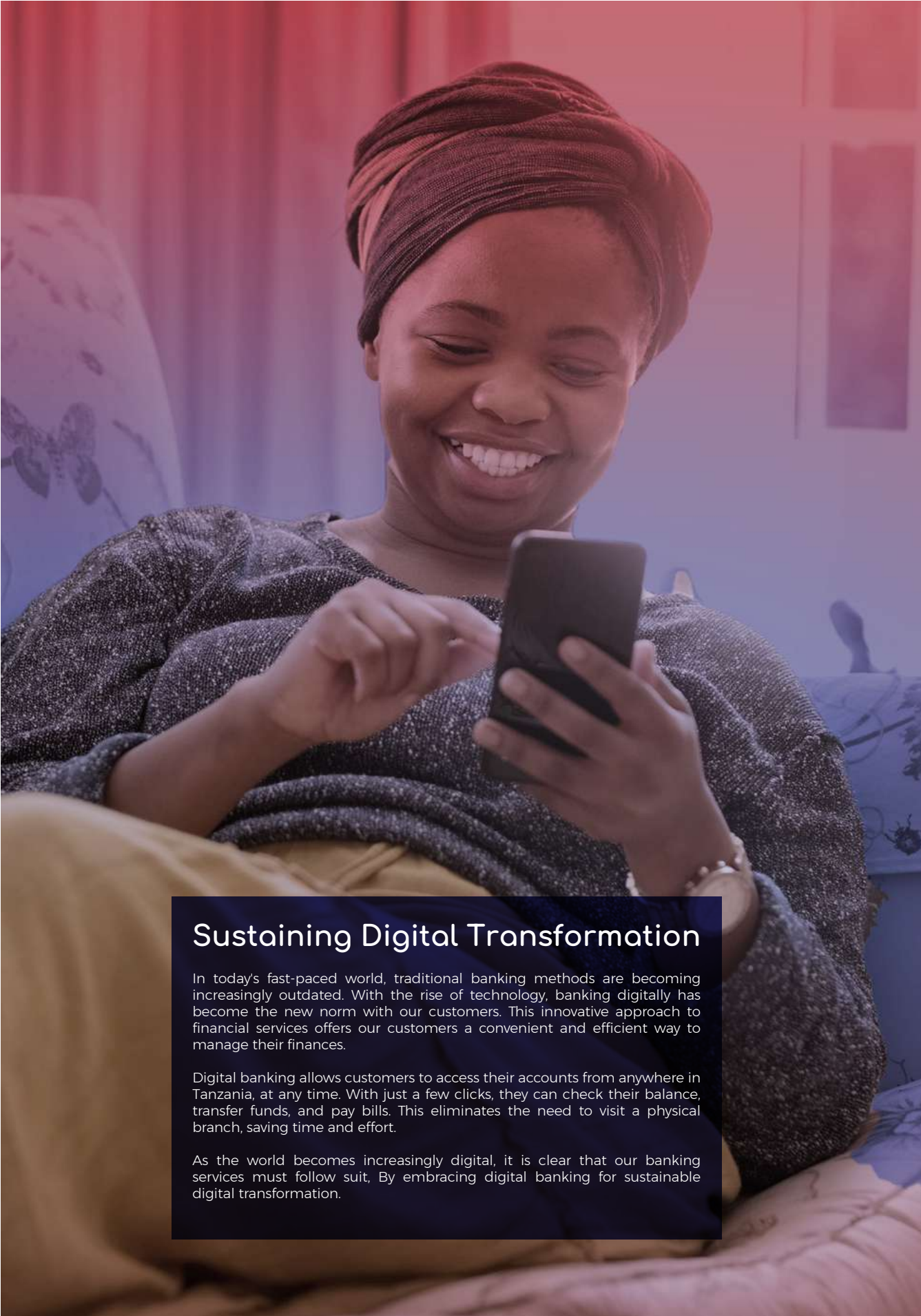
CRDB Bank Plc,
P.O Box 268,
Dar es Salaam.

Company Secretary

Ms. Regina Mduma,
DCB House,
Plot No. 182 Block R,
Magomeni Area,
P.O Box 19798,
Dar es Salaam.

Auditors

PricewaterhouseCoopers Limited,
Certified Public Accountants (Tanzania),
369 Toure Drive, Oysterbay,
P.O. Box 45,
Dar es Salaam.



Sustaining Digital Transformation

In today's fast-paced world, traditional banking methods are becoming increasingly outdated. With the rise of technology, banking digitally has become the new norm with our customers. This innovative approach to financial services offers our customers a convenient and efficient way to manage their finances.

Digital banking allows customers to access their accounts from anywhere in Tanzania, at any time. With just a few clicks, they can check their balance, transfer funds, and pay bills. This eliminates the need to visit a physical branch, saving time and effort.

As the world becomes increasingly digital, it is clear that our banking services must follow suit. By embracing digital banking for sustainable digital transformation.

ABOUT THIS REPORT



The DCB Annual Report comprehensively details our business operations, strategies, financial and non-financial performance for the year 2022. Additionally, it provides valuable insights into our governance practices and structures, risk management approach, and future prospects in the context of our digital transformation-based operating environment.

Our report is a testament to our commitment to transparency and accountability, and we take pride in presenting it to our stakeholders. It highlights our achievements, challenges, and opportunities, and outlines our plans for the future.

We have made significant progress in our digital transformation journey, and our report showcases the impact of our efforts on our business performance. We have also implemented robust governance practices and structures to ensure that we operate ethically and responsibly.

Furthermore, our report sheds light on our risk management approach, which is designed to mitigate potential threats and capitalize on opportunities. We believe that our proactive approach to risk management is critical to our long-term success.

In conclusion, our Annual Report is a comprehensive and informative document that provides a detailed overview of our business operations, strategies, and performance. We are confident that it will be of great value to our stakeholders.

Our Reporting Framework

The financial information contained within this report has been meticulously prepared in accordance with the globally recognized International Financial Reporting Standards (IFRS). Our reporting process is guided by a set of strict guidelines and regulations, including those set forth by the Bank of Tanzania's (BoT) prudential guidelines, the National Board of Accountants and Auditors (NBAA), the Capital Market and Securities Authority (CMSA), and the Dar es Salaam Stock Exchange (DSE) guidelines.

To ensure that our report is comprehensive and informative, we have also incorporated some principles of the Integrated Reporting (IR) Framework. This framework has helped us to structure our content in a way that is both meaningful and relevant to our stakeholders.

As a company, we are committed to continuously improving our reporting process in line with the latest guidelines and international best practices. Our ultimate goal is to achieve full adherence to the Integrated Reporting <IR> Framework, which will enable us to provide our stakeholders with even greater transparency and accountability.



01

- 04 About this report
- 06 List of abbreviations

OUR COMPANY PROFILE

- 08 Who We Are
- 09 Our Values
- 10 Our Strategy
- 11 Our Capitals
- 12 Key performance Indicators
- 13 Our Accolades

Table of Contents

02

OUR PRODUCTS AND SERVICES

- 16 Sustaining Digital Excellence

03

IMPLEMENTING YOUR STRATEGY

- 21 Message from the Chairperson
- 23 Message from the Acting Managing Director

Transforming lives
through **digital
innovation**



04

SUSTAINABILITY PERSPECTIVE

- 26 Corporate Social Responsibility
- 27 Employee Welfare
- 29 DCB events in pictures

05

CORPORATE GOVERNANCE

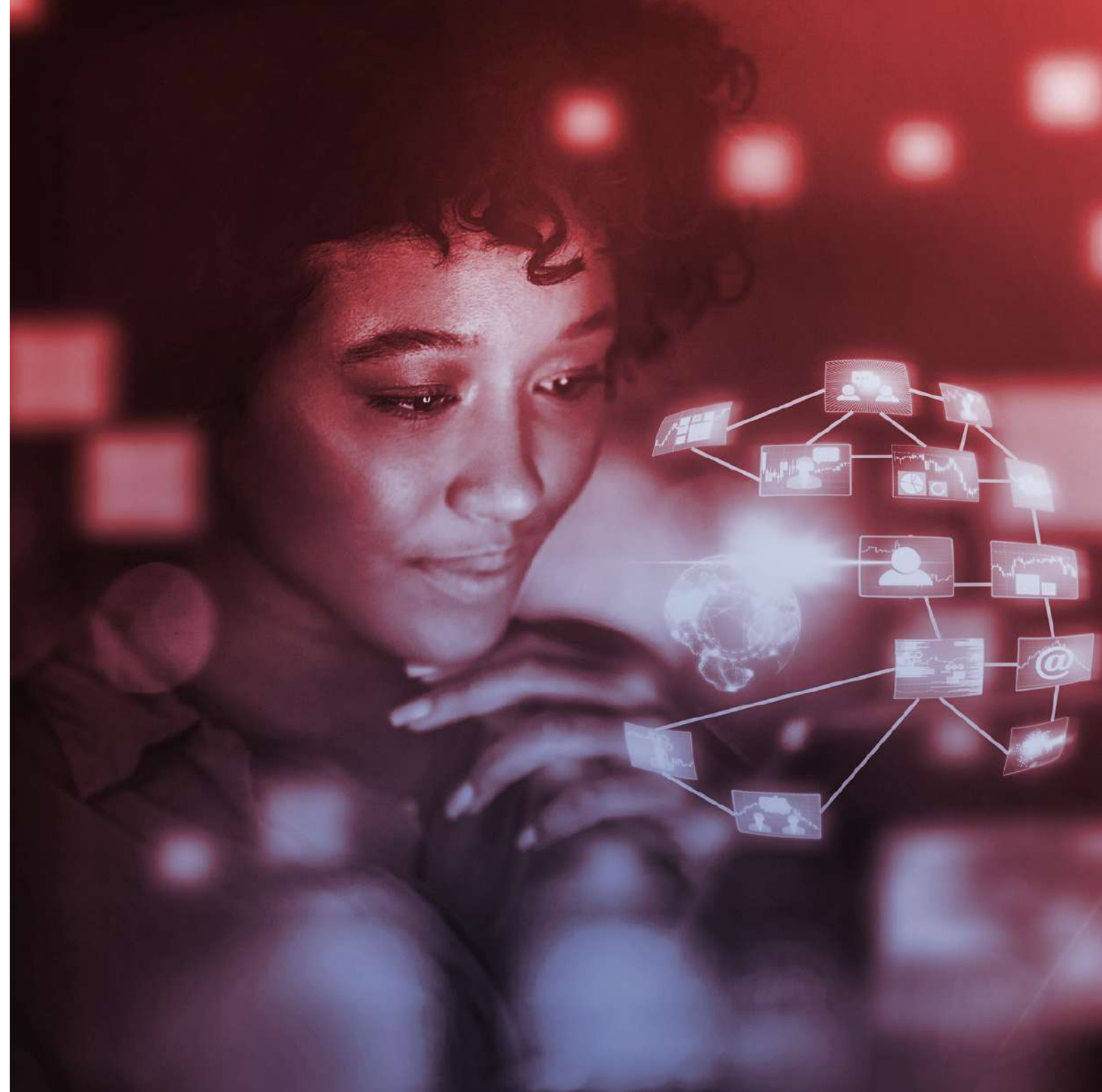
- 31 Our Board of Directors
- 35 Our Management Team

06

FINANCIAL STATEMENTS

CORPORATE INFORMATION**LIST OF ABBREVIATIONS**

AGM	Annual General Meeting
ALCO	Asset and Liability Committee
BOT	Bank of Tanzania
DCB	DCB Commercial Bank Plc
DSE	Dar es Salaam Stock Exchange
EAD	Exposure at time of default
ECL	Expected Credit Losses
EPS	Earnings per Share
FTE	Full Time Employees
FVOCI	Fair Value through Other Comprehensive Income
IASB	International Accounting Standards Board
IESBA	International Ethics Standards Board for Accountants
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
LC	Letters of credit
LDR	Loan to Deposit Ratio
LGD	Loss Given Default
OCI	Other Comprehensive Income
PD	Probability of Default
POCI	Purchased or originated credit-impaired
SICR	Significant Increase in Credit Risk
SGL	Solidarity Group Lending
SME	Small and Medium Enterprises
SMR	Statutory Minimum Reserve
SPPI	Solely Payments of Principal and Interest
SPV	Special Purpose Vehicles
TMRC	Tanzania Mortgage Refinance Company Limited
TZS	Tanzanian Shillings
USD	United States Dollars
ROUA	Right of Use Assets



OUR COMPANY PROFILE

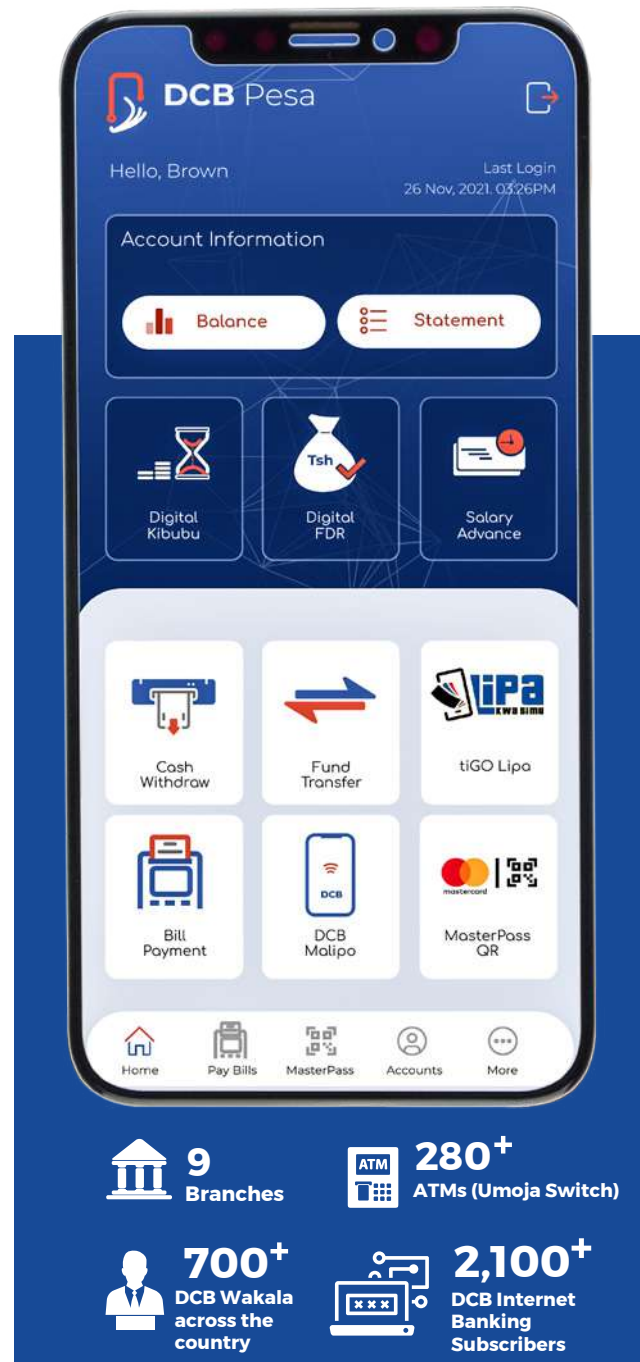
TRUE LIBERATOR

Who we are

DCB Bank is a fully-fledged retail and commercial bank in Tanzania. The bank offers banking services to individuals, small and medium sized businesses, as well as large corporate clients. DCB Bank has a network of 9 branches, over 700 agents, 280+ Umoja switch ATMs serving more than 3 million customers across the country. The bank has experience of more than 20 years and it is the first bank to be listed on the Dar es Salaam Stock Exchange (DSE).

DCB was registered as a limited company on 6th September, 2001. In April 2002, DCB started business as a regional microfinance institution. On 12th June 2003 the bank was issued with a license to carry out banking business as Dar es Salaam Community Bank Limited.

In 2008, DCB became the first bank in Tanzania to be listed on Dar es Salaam Stock Exchange (DSE). In February 2012, the bank was issued a license to carry out banking business country wide as a fully-fledged commercial bank. The bank changed its name from Dar es Salaam Community Bank Plc to DCB Commercial Bank Plc.



DCB PESA

150,000 customers
across the
country.

Convenient banking

At DCB, we understand the importance of convenience in banking. That's why we strive to offer a perfect blend of security, user experience, affordability, and integrations with other entities. We know that our customers value products, and we are committed to delivering on them in every aspect of our services.

We are constantly pushing ourselves to innovate and exceed expectations to create delightful experience when using our services. We believe that banking should be effortless and enjoyable, and thus we work hard everyday to make sure that is the case for our customers.

BUSINESS OBJECTIVES AND STRATEGIES



OUR VISION

To be the preferred Financial Services Provider in Tanzania



OUR MISSION

To provide convenient, excellent and innovative financial services to our esteemed customers, while contributing to social and economic development and generating value to shareholders



OUR VALUES



Integrity:

We possess the courage to do and say the right things.



Responsibility and Accountability:

We are accountable for failure as well as success, and do not play the blame game.



Teamwork:

We are committed to achieving common goals based on open and honest communication while showing concern and support for each other.



Creativity and Innovation:

We are the pioneers of innovation and better ways to do things.



Respect:

We understand and encourage diversity of views among our employees and stakeholders.



Excellence:

We are passionate about leaving things better than they were found.



OUR BEHAVIOURS



Speed in Execution:

We are proactive and prioritize our duties, we say no to procrastination



Time Management:

We respect and value time, we are accountable not to waste time.



Ownership:

We hold ourselves accountable.



OUR SERVICE PRINCIPLES



Knowledge:

DCB Bank products and service



Timely:

Respond promptly and keep our word



Friendly:

Active listening and courtesy



Value Add:

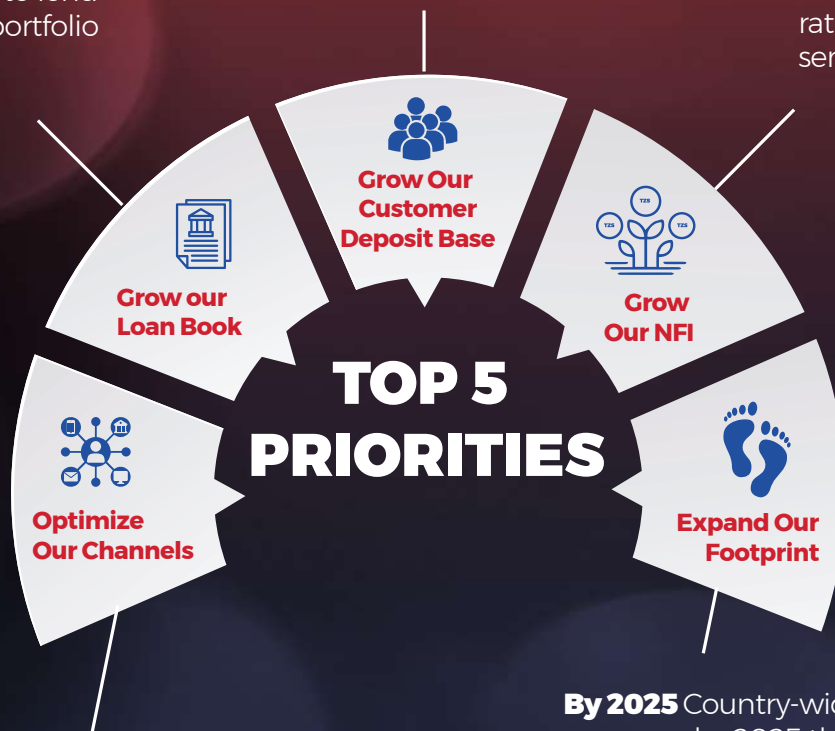
Go the extra mile/ be a solution provider

Our Strategy

By 2025 - The bank aims to grow its total loan book while maintaining its NPL ratio below **5%**. It is also the bank's plan to lend **50%** of its portfolio **digitally**.

By 2025- We aim to grow our Customer base to 400K customers with average deposits of 300 billion and a current and savings accounts ratio of 67%

By 2025 - Non Funded Income ratio 33% service



By 2025 - Optimum usage of our banking channels

By 2025 Country-wide presence by 2025 through brick and mortar, service stations agency model, digital and partnerships:

 **13** branches

 **28** stations

Our Capitals

The bank recognizes that its success is not solely derived from financial performance, but also from its concerted efforts to leverage the following capitals:



Key Performance Indicators

The following Key Performance Indicators (KPIs) are effective in measuring the delivery of the Bank's strategy and managing the business.

PERFORMANCE INDICATOR	DEFINITION AND CALCULATION METHOD	2022	2021
Return on equity	Net income/Total equity	3%	(6%)
Return on assets	Net income/Total assets loans and advances to customers	0.4%	(0.9%)
Cost to income ratio	Operating costs/Net income gross of impair charge on	81%	81%
Interest margin on earning assets	Total interest income/(Government securities + inter-Bank loan receivables + investments in other securities + net loans, advances and overdrafts)	17%	19%
Non - interest income to Gross income	Non - interest income/total income gross of impair charge on loans and advances to customers	40%	30%
Earnings per share	Basic earnings/number of ordinary shares in issue	7.66	(16.84)
Non - performing loans to gross loans	Non-performing loans/gross loans and advances	12.2%	11.1%
Earning assets Ratio	Earning assets/Total assets	79%	77%
Growth on total assets	(Current year total assets/ prior year total assets) - 1*100%	10%	11%
Growth on loans and advances to customers	(Current year net loans and advances/prior year net loans and advances) - 1*100%	5%	17%
Growth on total deposits	(Current year total deposits/prior year total deposits) - 1*100%	13%	26%
Capital adequacy			
Tier 1 Capital	Risk Weighted assets including off-statement of financial position items/Core Capital	14.41%	14.02%
Tier 1+Tier 2 Capital	Risk Weighted assets including off-statement of financial position items/Total Capital	14.90%	14.41%

Our Accolades in 2022

In 2022, we were honored to receive two prestigious awards. Firstly, we were crowned the Most Preferred Domestic Bank for Customer Service in the Mid-sized category at the Consumer Choice Awards. This recognition is a testament to our unwavering commitment to providing exceptional service to our valued customers.

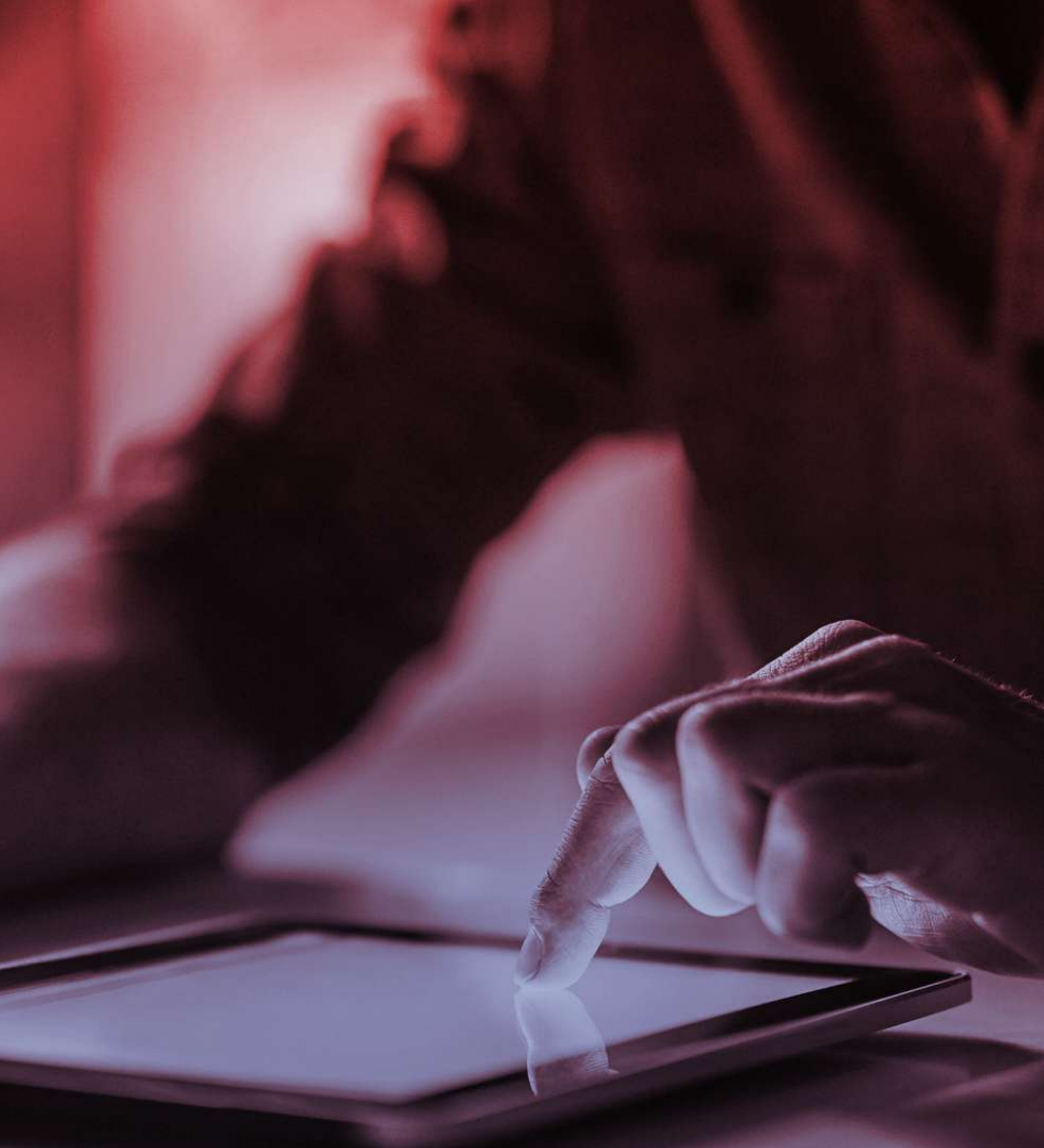
Additionally, we were thrilled to receive the National board of Accountants award, which further solidifies our position as a leader in the banking industry. Our team's dedication to excellence and innovation has allowed us to stand out among our peers and deliver unparalleled value to our clients.

We are grateful for these accolades and will continue to strive for excellence in all aspects of our business. Thank you to our customers and partners for their continued support and trust in our services.



★
**Consumer Choice
Award Africa**

★
**National Board
of Accountants
Award**



OUR PRODUCTS AND SERVICES



DCB IMPROVES DIGITAL SERVICES, PRIDES ITSELF ON EFFICIENCY

DCB Bank is proud to announce our latest digital improvement to our banking services. Our goal is to make banking more accessible and affordable for everyone in the country. We understand that in today's fast-paced world, time is of the essence, and we want to make sure that our customers can access our services quickly and easily.

Our commitment to providing the best service at the lowest cost is unwavering. With our new digital platform, customers can now access our services from any device, whether it be a phone or a tablet. This means that you can do any transaction from the comfort of your own home or on the go.

We believe that this digital transformation is a historic event for our bank, and it demonstrates our sincere intention to make changes that will benefit our customers. We are dedicated to increasing speed and efficiency.

At DCB Bank, we are committed to providing our customers with the best possible service. We believe that our digital transformation is just the beginning of our journey towards becoming the leading bank in the country. Join us on this journey and experience the future of banking today.



In order to enhance our performance and capabilities, the bank conducted a comprehensive staff training on digital platforms. The aim was to equip our team with the necessary skills and knowledge to provide seamless digital services. By investing in our workforce, we are committed to delivering exceptional service to our valued clients.



SUSTAINING DIGITAL EXCELLENCE

Internet Banking

DCB Bank is proud to offer a cutting-edge internet banking platform that provides an all-in-one solution for all your financial needs. Our platform is designed to make your banking experience smooth, secure, and hassle-free, with a range of features and functionalities that are sure to impress.

One of the most impressive aspects of our internet banking platform is its lightning-fast payment processing. You can make payments within and outside of our bank instantly, without having to wait for hours or even days for your transactions to be processed. It supports bulk payments, making it ideal for businesses and individuals who need to transfer funds to multiple accounts at once.

The platform offers salary processing, host-to-host integrations, and solutions for corporates and retail customers, making it a one-stop-shop for all your financial needs. You can easily process salaries, integrate your accounts with other financial institutions, and manage your finances in a way that's tailored to your specific needs.

It supports a wide range of payment options, including utility payments, government and institutional payments. No matter what your payment needs are, our internet banking platform has got you covered.

Security is a top priority for us and hence our platform features multi-factor authentications to ensure that your transactions are always secure. You can rest assured that your financial data is safe and secure at all times.

In addition to these impressive features, DCB internet banking platform offers account statements, standing order instructions, and automated swift alerts. You can easily keep track of your transactions, set up recurring payments, and receive alerts about your account activity in real-time.

DCB internet banking platform is the ultimate solution for all your financial needs. With its advanced features, robust security, and user-friendly interface, you can manage your finances with ease and confidence. Experience the future of banking with DCB Bank.



DCB Masterpass QR

cutting-edge digital
payment solution

90,000+ MERCHANTS ON BOARD



The revolutionary "Selcom Pay" payment option that is taking customers across the country by storm! This cutting-edge technology is now available on the USSD and DCB Pesa App, offering a seamless and convenient payment. The DCB Masterpass QR payment solution is your go-to payment option. Say goodbye to long queues and the hustle of carrying cash – with the DCB Masterpass QR payment solution, paying for your purchases has never been easier!



dcb.co.tz/OngeaNasi

Ongea-Nasi is an online customer complaints management tool developed specifically for DCB Bank to handle and resolve customer complaints in a timely and efficient manner. The tool provides an online portal for customers to submit their complaints, and it ensures that these complaints are attended to promptly.

DCB Malipo

This is the ultimate billing platform for businesses of all sizes, with this powerful tool, you can generate professional invoices, manage your billing cycle, and streamline your payment processes all in one convenient platform. Designed to simplify your accounting and bookkeeping, DCB Malipo makes it easy for you to create invoices that are tailored to your business needs. Whether you are running a school, college, hospital, manufacturing plant, or any other type of business, our platform is designed to meet your unique needs.

 DCB Digital VICOPA

Welcome to the future of community banking in Tanzania! We are excited to introduce DCB Digital VICOPA, a revolutionary platform designed to bring the power of community banking to the digital age. With DCB Digital VICOPA, you can enjoy all the benefits of a traditional VICOPA group, with the added convenience of digital technology. Our cutting-edge DCB Digital VICOPA platform allows you to easily manage your VICOPA group, make contributions, apply for loans, and receive approvals from group leaders, all from the comfort of your mobile device.

At DCB Bank, we understand the importance of transparency in community banking. That's why we've made it easy for you to keep track of your group's activities with real-time SMS updates. This means you'll always know how your contributions are being used and have peace of mind that your investment is being put to good use. Plus, our user-friendly DCB Digital VICOPA Mobile app enables everyone, regardless of their level of technological savy, to enjoy all of the benefits of Digital VICOPA.

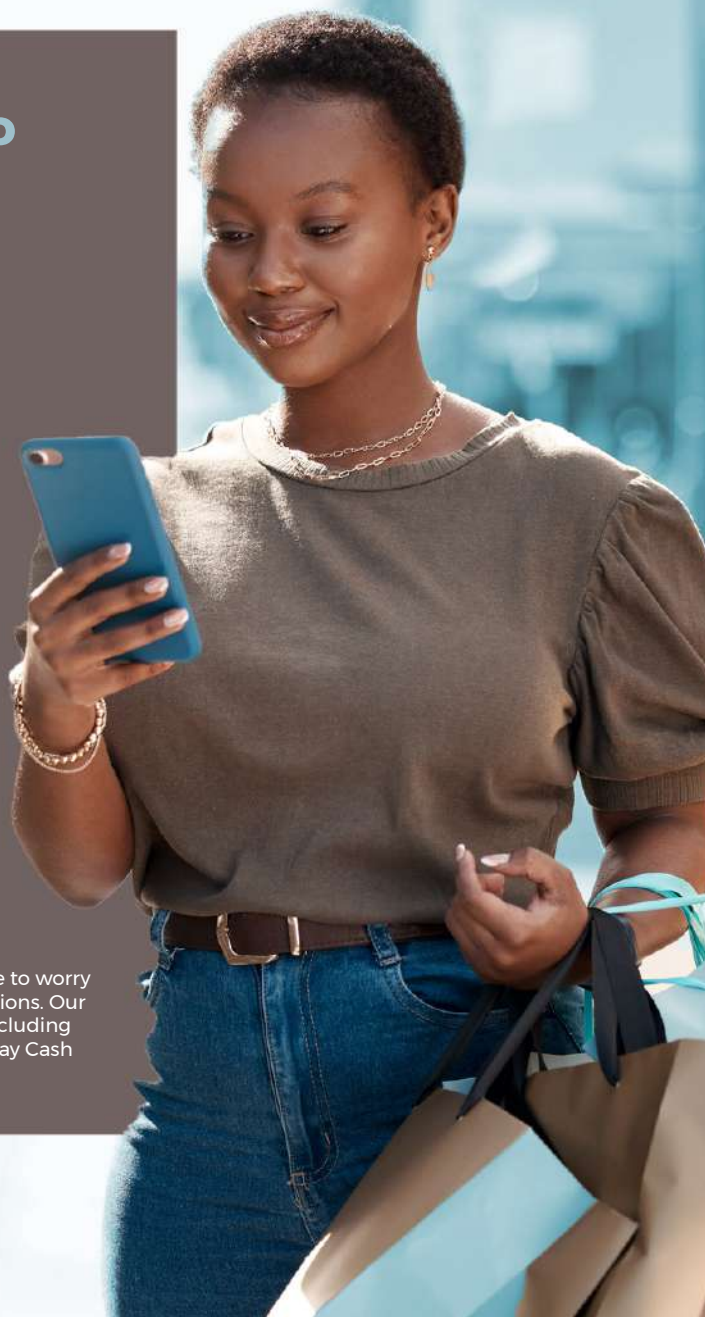
Join us today and experience the power of community banking in the digital age. Sign up for DCB Digital VICOPA and take advantage of the convenience, transparency, and accessibility of our platform is the future of community banking, and we're excited to bring it to Tanzania.

**DCB - Tigo**

Tigo Lipa Kwa Simu, is a strategic partnership between the bank and Tigo MIC, provides a hassle-free way to pay for goods and services directly from your DCB bank account! With this innovative financial product, you can now make payments using TigoPesa Merchant number or simply scan the TigoPesa QR code (Lipa kwa Simu Merchants), making transactions more accessible than ever before. Tigo Lipa Kwa Simu is the ideal solution for anyone who wants to make payments quickly and conveniently without the need for cash or physical cards. With this service, you can pay for anything from groceries to utility bills across restaurants, "mangishops", hotels etc all from your fingertips with affordable costs, Tigo Lipa Kwa Simu is the most cost-effective payment method on the market. Why wait? Download the DCB Pesa APP and start enjoying the benefits of fast, convenient, affordable payments to over 250,000 Merchants across the country. (Huna haja ya kuhamisha Pesa, Lipa kwa simu moja kwa moja kutoka kwenye DCB Pesa App). Get it on Google Play or App store or dial *150*85#.

GePG Payment

With the DCB GePG platform, you no longer have to worry about long queues or inconvenient payment options. Our platform offers a variety of payment methods, including Mobile Application, USSD, Internet Banking, or Pay Cash from agents located all over the country.





The DCB Digital FDR, is the perfect savings solution for individuals who are looking to invest their savings and earn high interest rates in a hassle-free manner. Our innovative product allows customers to fix their savings digitally for a specified period of time, ranging from 3 months to a year, with a minimum deposit of only TZS 5,000. With the DCB Digital FDR, you can be rest assured that your savings are in safe hands. The product offers competitive interest rates of up to 5%. DCB Digital FDR is incredibly easy to use. You can set up your savings plan online within seconds without any complicated paperwork or lengthy application processes. Whether you are saving for that dream house, a dream vacation, or just building up an emergency fund, our Digital FDR will get there. Join the thousands of satisfied customers enjoying the service with us, be one of them today. *Grow with us* Get it on the DCB Pesa App or Dial *150*85#.- Runs on DCB

MUSE

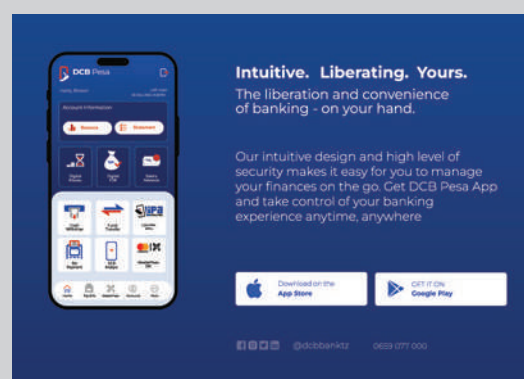


MUSE (MFUMO WA ULIPAJI SERIKALINI), a cutting-edge payment platform, designed to streamline government institutions' expenditure accounts. With MUSE, government institutions can easily initiate payments for various services such as salaries, supplier payments, and other expenses with just a few clicks.

MUSE seamlessly integrates government accounting systems with the bank's payment platform, allowing for straight-through processing of transactions. This means that payment requests from government institutions are submitted directly to the bank's payment platform, eliminating the need for manual intervention in the payment process.

By using MUSE, government institutions can save time and ensure accuracy in their payment processes. The platform ensures that all payment information is kept confidential, providing a secure and reliable way to manage government expenditures.

With MUSE, government institutions can be confident in their payment processes, knowing that they have a secure and efficient payment platform at their disposal. Say goodbye to manual payment processes and hello to a streamlined, reliable payment platform with the Bank's integration to MUSE.



Digital Salary Advance

DCB bank's Digital Salary Advance, is the ultimate solution for employees seeking financial support. With flexible repayment terms, you can repay the loan over a period that suits your financial situation. This means you can take control of your finances without worrying about strict payment schedules.

Our product offers competitive interest rates, making it possible for employees to access funds at affordable rates. With Digital Salary Advance, you can get the financial support you need without breaking the bank.

Gone are the days of traditional loan applications that involve lengthy paperwork and time-consuming processes. Digital Salary Advance, you can enjoy the convenience of financial support at your convenience.



"making the application process quick and hustle-free"

Skonga Account Launch

The DCB Skonga Account (Skonga) is a unique account that allows customers to deposit funds every month to achieve their goals of providing their children with proper education. This account provides you with the flexibility to choose the amount and time to invest, ensuring that the amount and timing are consistent with the age and cost of your child's education.

Features:

- Your money is guaranteed and secure
- Guaranteed funding for your child's education up to university level
- No account operating costs
- Enjoy good dividends each year
- Emergency loan guaranteed
- Freedom to choose a monthly investment rate (starting from TZS. 5,000/=)
- Freedom to stop the investment plan
- Freedom to choose the time to invest (from year 1 to 17 years)
- Track your investment plan through your phone (*150*85#)
- Get funeral assistance (vault) in the event of the death of your spouse or child

Investing in Skonga is a smart choice for parents who want to secure their children's education through flexible investment options. Skonga is fully insured for loss of life and permanent disability. It does not incur any operating cost and you can track your investment plan through your phone. Don't wait any longer to invest in your child's education. "Open a DCB Skonga Account today!"





IMPLEMENTING OUR STRATEGY



Message from the Chairperson

Dear Fellow Shareholders,

I am pleased to welcome you all to the 21st Annual General Meeting. As we come together to reflect on the last year's performance, I am proud to say that we have made significant progress in achieving our strategic objectives and delivering value to our shareholders.

We have remained steadfast in our commitment to providing innovative banking solutions that meet the evolving needs of our customers. Our digital banking platform has continued to gain traction with an increasing number of customers adopting to our mobile and online banking services. This has led into our customer base to significantly increase year on year.

I am pleased to report that in 2022, DCB delivered a sound financial performance, where the bank recorded a Profit before tax of TZS 967 million. Despite the economical challenges that the bank faced, the bank grew its assets by 10% year on year, a testament to our resilience and ability to navigate through a challenging economic landscape.

Our unwavering focus on building a strong balance sheet and maintaining a robust risk management framework has been instrumental in our resilience and capital strength. By prioritizing these areas, we have successfully weathered challenging circumstances and ensured our organization remains well-capitalized. This strategic approach has provided us with stability and enabled us to adapt to market fluctuations and capitalize on opportunities available for business.

Operating Environment

The operating environment in 2022 remained stable, with the Tanzanian shilling holding relatively steady against major trading partner currencies. Thanks to our regulator continued implementation of expansionary monetary policy. As a result, the economy saw a persistent recovery from the effects of the COVID-19 pandemic. Real GDP was to grow at 4.7% in 2022, driven by improved performance in the tourism sector and the reopening of trade corridors.

Inflation remained low throughout the year, supported by subdued prices of both food and non-food consumer goods and services. Headline inflation averaged 4.6% for the full year, compared to 4.2% in 2021. Such a landscape has resulted in the improved non-funded income by 49% while funded income standing at 3.8%.

Changes in Board and Managements

Dear shareholders, we would like to bring your attention to some significant changes made in our board's structure. Firstly, we bid farewell to Mr. Maharage Chande, who served as the Chairman of our Board for over 6 years. Mr. Chande's visionary leadership style has left a lasting impact, and we express our sincere gratitude for his valuable contributions to DCB Commercial Bank.

In addition, as we approached the end of the year 2022, we witnessed changes in the management team. The tenure of our former Managing Director, Mr. Godfrey Ndalawa ended. As a result whereof, the Board appointed Mr. Isidori Msaki as the Acting Managing Director. The Board embarked in the recruitment process of the substantive Managing Director and Mr Sabasaba Moshingi was appointed thereof.

We assure you that these changes are part of our commitment to ensuring effective governance and leadership within the organization.

The bank's performance

Dear shareholders, as I stated earlier on, the bank recorded a profit for the year ended 31 December 2022. The profitability was mainly contributed by non - interest income of TZS 10.3 billion an achievement of 111% against our annual target. Interest income surged to reach TZS 28.61 billion, an achievement of 86% of the annual goals. The interest expenses stood at TZS 13.4 billion.

Gross loans and advances to customers increased by 7% from TZS 121.7 billion (2021) to TZS 130 billion. Customer deposits grew from TZS 125.3 billion (2021) to TZS 141.7 billion, being 90% achievement of our set goals.

Our core capital has remained sufficient, with Tier I capital and Total Capital levels exceeding regulatory requirements at TZS 18.2 billion and TZS 18.8 billion respectively. The Central Bank's regulation requires commercial banks to have a minimum core capital of TZS 15 billion.

Outlook

Looking ahead, the bank aims at accelerating growth over the next three years (2023-2025), having positioned itself as the competitive player in the market. The bank has engaged key stakeholders, including mobile network operators, FinTech on several levels, and has launched new products and services in the year 2022. As evidence of these partnerships now the bank has services of Tigo Lipa Kwa Simu and SelcomPay (MasterPass QR) on its platforms. These partnerships offer convenience, flexibility, and simplified access to financing both existing and potential customers throughout the country.

Conclusively, I would like to express my sincere gratitude to our shareholders for their continued support and trust in DCB Commercial Bank PLC. We are confident that with your support, we will continue to deliver sustainable growth and increase the shareholders value.



Zawadia Nanyaro
Board Chairperson



Message from the Acting Managing Director

Dear Shareholders,

On behalf of the Board of Directors and Management, I am very proud to report the remarkable growth in our business. Despite the challenges in the global economy that affected our business including COVID -19 and Russian-Ukraine geopolitical tension and the scarcity of the United State Dollar in the market the bank emerged with the profit of TZS 967 million.

The bank demonstrated impeccable resilience and maintained quality services to our customers by meeting their demands. These challenges have reshaped our risk management model and increased efficiency in doing business. We have remained keen on tracking our long-term goals as a result, the bank assets have grown from TZS 192 billion in 2021 to TZS 211 billion in 2022. This growth elevated the bank from small size commercial bank to a mid-sized bank in Tanzania.

Dear shareholders, I would like to inform you of the progress of our strategies. Within a year, the bank achieved its goals through the key five areas of priorities as follows:-

Non-Funded Income

The bank has continued to protect its shareholder's value by increasing the non-funded income from 30% of the total annual revenue in 2021 to 49% in 2022. The increase is triggered by enhanced digital platforms that have increased the digital transactions volume for over 135% year on year, increase in forex trading, gain on bonds trading and financing the public and private sectors' projects. That said, the bank has surpassed its preset goal of reaching 35% of the total revenue by 2025.

Footprint

In executing banks' strategic objectives to offer services across the country by 2025, the bank extended its service provision via its digital channels, opening service centers in strategic business regions and recruiting about 700 agent across the country. We currently have 8 branches with a strong presence in Dar-es-Salaam and one in Dodoma. This has enabled us to offer a wide range of services to our customers country wide.

Digital lending

Through the digital transformation journey the bank aims at expanding its digital lending year on year. During the reporting year the bank disbursed digital loans to the tune of TZS 1.2 billion. Due to thier nature of full repayment within 1 month, the bank regards these loans more secure with low rate of default.

Customer Service

Our customer service tranformation journey is centered in providing a delightful customer experience and the bank has continued to embrace its service principles namely; knowledge, friendly, timely, and value addition which complements with our customer's needs.

Dear Shareholders, I would also like to inform you that our bank emerged a winner in the Consumer Choice Awards 2022 and was crowned as the most preferred domestic bank for customer service in the mid sized banks category This recognition is a testimony to our customers in providing exeptional customer service.

The bank has a number of initiatives including training to our staff and customer service awareness programs for the entire bank.

Bank's Digital Agenda

Dear Shareholders, our digital agenda execution aligns closely with our strategic initiatives to enhance operational efficiency and optimize payment channels. This involves leveraging in internet banking, mobile banking, DCB Application, and VISA services while forming partnerships with Mobile Network Operators (MNOs) and extending the scope of the Government revenue collection. Through these efforts, we aim at improving system uptime, streamline processes, and providing convenient access to the bank services across digital platforms. In partnership with the MNOs we have leveraged in their expertise in mobile technology and expand our digital capabilities, resulting in finding innovative solutions for our customers by adopting latest technologies.

Customer deposit base growth

Management is focused in growing the customer deposit base aiming at lowering the banks' funding costs, improving profitability while delivering value to its shareholders. The bank focuses on increasing cheap deposits from 31% in 2022 to more than 60% by 2025. Other initiatives include aggressive onboarding of VICOPA, SACCOS, partnering with MNOs and establishing relationships with government agencies to enhance deposits from collections. The bank is connected to GePG and has already established several relationships aimed at growing the customer deposit base.

Channel optimization

Being a member of the UmojaSwitch, the bank's customers have access to ATM services from over 250 ATMs across country. Our bank is connected to the VISA network which helps our customers to perform online transactions and make instant payments within and outside the country.

Risk Management

Our control and Risk Management framework, emerging risks, internal and external operating environments has strengthened us with neither recorded frauds nor major control gaps. As we continue growing and expanding our business, we are fully dedicated to maintaining the prevalence of the control function within the bank by upholding the highest standards in Risk and Operations Management.

Our People

Our bank is privileged to have a pool of committed, innovative and talented team who are eager to learn and cope with emerging challenges. I extend my deepest appreciation to our dedicated, skilled and honest staff, who actively engage in the execution of the bank's strategic goals. I vow to keep nurturing and coaching their talents, while prioritizing their health, safety, and well-being.

Outlook

The bank expects to register the following achievements by the year 2025 as follows:-

- Continuous registering year-on-year profits to reach a return on equity of 18.9%
- Continue to lower the NPL ratio to reach below 5%
- Continue to lower the CIR ratio to reach the regulatory required ratio of 55%
- Transforming Tanzanians on how they earn income and bring closer to them alternative digital payment channels.
- Double customer base to reach 400,000 customers.
- Country-wide presence.
- Continue operate business in fully compliance with the banking laws, regulations and procedures in order to safeguard customers deposits and bank assets.
- Being an employer of choice.

Finally, I would like to express my gratitude to my fellow shareholders, our Board, staff, our regulators, the Government of the United Republic of Tanzania and our esteemed customers for their commitment and continued trust.



Isidori Msaki

Acting Managing Director

A small green seedling with two leaves growing out of dark soil against a blurred background of warm, glowing lights.

SUSTAINABILITY PERSPECTIVE

Corporate Social Responsibility



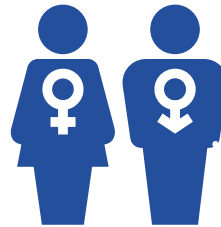
CREATING A CLEANER AND HEALTHIER ENVIRONMENT

In order to promote a sustainable environment, we have collaborated with the Municipal councils to initiate a comprehensive cleanup campaign. Our objective is to demonstrate our commitment towards achieving the United Nations Sustainable Development Goals, particularly the goal of creating a cleaner world.

Through this partnership, we aim to raise awareness about the importance of preserving our environment and the impact of pollution on our health and well-being. Our efforts will not only enhance the aesthetic appeal of the region but also contribute towards mitigating the adverse effects of climate change.

We believe that by working together, we can create a cleaner and healthier environment for ourselves and future generations. Our joint efforts will serve as a model for other communities to follow, inspiring them to take action towards building a sustainable future.

Employee welfare



Management and employees relationship

The Bank has adequate number of employees with pre-requisite competency and experience in key positions to manage the banking operations as well as pursuing the business objectives. As of 31 December 2022, the number of employees was 254, of which full time employees were 231 (2021: 234).

There has been a good working relationship between management and employees as well as employees and their supervisor's/line managers. Complaints are resolved through meetings and discussions. Work morale is good and there were no unresolved complaints from employees. During the year, there were no new cases referred to the Commission for Mediation and Arbitration (CMA), however there were 2 ongoing cases from 2015.

The bank is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion, and disability which does not impair ability to discharge duties.



DCB events in pictures



A person, likely a Maasai, is seen from behind, standing in a vast, open savanna landscape. They are wearing a red and black patterned shuka draped over their shoulders and a dark skirt. The sun is low on the horizon, creating a warm, orange glow across the sky. The foreground is a dry, dusty path with sparse vegetation.

CORPORATE GOVERNANCE

Our Board of Directors



Zawadia J. Nanyaro
Chairperson

Ms. Zawadia Nanyaro is a highly skilled and experienced financial expert with a wealth of knowledge in internal and external audit, accounting, and good governance. She has held various positions on the boards of directors of both public and private companies, making her a valuable asset to any organization. Ms. Nanyaro holds a Master of Business Administration in Finance and a Bachelor of Business in Accounting, both of which she obtained from the prestigious University of Dar es Salaam.

In addition to her impressive academic credentials, Ms. Nanyaro is a certified accountant (CPA (T)) and auditor (CPA-PP) by the Tanzania Association of Accountants and Auditors (NBAA). She is also a certified Information Systems Auditor (CISA) and Director from the Tanzania Institute of Directors. Her extensive knowledge and experience in these areas make her an invaluable asset to any organization.

Ms. Nanyaro joined DCB Board of Directors in May 2017 as a director representing a group of private shareholders. She currently serves as the Chairman of the Board of Directors of DCB Bank and is also the CEO of Lilac Tanzania. Additionally, she is a member of various boards in public institutions and private companies.

In summary, Ms. Nanyaro is a highly skilled and experienced financial expert with a proven track record of success. Her expertise in financial matters, internal and external audit, accounting, and good governance make her an invaluable asset to any organization.



Alexander Sanga
Vice Chairperson

Mr. Alexander Sanga, a seasoned expert in the field of technology, information systems, IT, and digital information security. With a Master of Business Administration and a Bachelor of Science in Computer Science, Mr. Sanga has also earned several certifications, including the Information System Audit Certificate from ISACA, Certified Information Manager (CISM) from ISACA, Agile Expert Certified Credential (AEC), Scrum Master Certified Credential (SMC), Balance Score Card Professional (BSP), Information Systems Control Certification (CRISC) from ISACA, and Corporate IT Leadership Certification (CGEIT) from ISACA.

In April 2020, Mr. Sanga was appointed as a member of the Board, representing institutional shareholders (National Insurance Fund - NHIF). Currently, he serves as the IT Director of the National Insurance Fund.

With his extensive knowledge and experience, Mr. Sanga is a valuable asset to any organization seeking to enhance its technological capabilities and safeguard its digital assets.



David Shambwe

**Chair, Board Strategy and
Credit Committee**

Mr. David is a highly experienced specialist in business development systems, credit and marketing, and investment promotions. With over 20 years of experience in various sectors such as civil society (Development Organization), Real Estate Investments and Finance, Banking and Financial Services, and Sales and Marketing (Fast Moving Consumer Good - FMCG), he has established himself as a high-level leader in the industry.

Mr. David holds a Marketing Degree (BCom - Marketing) from the prestigious University of Dar Es Salaam. He has also earned a certificate in consulting, management, and securities sales of financial marketing organizations (ACI Financial Marketing Association).

In November 2021, Mr. David joined DCB board of directors as an independent Director. He currently serves as a Personal Consultant, providing expert advice on continuous business and investment systems. Additionally, he is a member of various boards in public institutions and private companies.

With his extensive knowledge and experience, Mr. David is a valuable asset to any organization. He is committed to helping businesses grow and succeed by providing innovative solutions and strategies. His expertise in business development systems, credit and marketing, and investment promotions make him a sought-after consultant in the industry.

In conclusion, Mr. David's impressive credentials and experience make him a highly respected and influential figure in the business world. His dedication to helping businesses thrive is evident in his work, and he continues to be a driving force in the industry.



Pamela Nchimbi

**Chair, Board Audit, Risk and
Compliance Committee**

Ms. Pamela Nchimbi, a seasoned expert in investment management, capital markets, securities, and fund management. With a Masters Degree in Business Management and a Bachelors Degree in Corporate Finance, Ms. Nchimbi has earned her skills and knowledge through years of experience and education. She has also earned certificates in the marketing and sale of securities from the esteemed Financial Marketing Association (ACI Financial Marketing Association) and the Tanzania Capital Markets Authority (CMSA), respectively.

In addition to her impressive credentials, Ms. Nchimbi is a candidate of Asset Management and Investment Certification and is an Authorized Dealer Representative. She is also a top-tier Chartered Financial Analyst (CFA), a testament to her expertise and dedication to her craft.

Ms. Nchimbi's contributions to the industry extend beyond her impressive qualifications. She has served as a board member since July 2017, representing the interests of the UTT-AMIS Institute. Furthermore, she has been the Director of Investment directorate at UTT- for the past 10 years.

With her wealth of knowledge and experience, Ms. Nchimbi is a valuable asset to any organization seeking to navigate the complex world of finance and investments.



Dr. Amina Baamary

Board Member

Dr. Amina Baamary is a highly skilled and experienced professional in the field of business, specializing in loans for entrepreneurs and self-development groups. With a PhD in Business Management from the University of Dar es Salaam/Copenhagen Business School, Dr. Baamary has a strong focus on Small Group Credit Management and Small and Medium Business Development. Additionally, she holds a Masters Degree in Business Administration in Finance from the University of Dar es Salaam, a Bachelors Degree in Commerce majoring in corporate finance from the same institution, and a Diploma in Accounting from the College of Business.

Dr. Baamary's impressive credentials and extensive experience have earned her a position on DCB Board of Directors as a director representing a group of individual shareholders. In this role, she brings a wealth of knowledge and expertise to the table, helping to guide the company towards continued success.

Beyond her work with DCB, Dr. Baamary is also a respected Lecturer at the University of Dar Es Salaam, where she shares her knowledge and experience with the next generation of business leaders. Her dedication to education and her passion for helping entrepreneurs and self-development groups succeed makes her a valuable asset to any organization.



Cliff Maregeli

Board Member

Mr. Cliff Maregeli is a highly skilled and experienced professional in the field of communication technology, IT systems, and digital information security. He has a Master of Science degree in Computer Engineering from TU Delft University in the Netherlands, as well as a Bachelor of Science in Computer Engineering and Information Technology from the University of Dar es Salaam. Additionally, he is a certified project management professional (PMP) from the Project Management Institute (PMI).

In August 2021, Mr. Maregeli joined DCB Board of Directors as a representative of a group of private shareholders. He currently serves as the Director of IT at Tanzania Electricity Corporation (TANESCO), where he has demonstrated exceptional leadership and expertise in managing complex IT systems and ensuring the security of digital information.

With his extensive knowledge and experience in the field, Mr. Maregeli is a valuable asset to DCB Board of Directors. His contributions will undoubtedly help the company navigate the ever-evolving landscape of communication technology and digital security, and drive its continued success.



Hanifa S. Hamza

Board Member

Ms. Hanifa Hamza is a highly skilled and experienced professional in the fields of business, administration, and leadership. She holds a Master's Degree in International Business Management, a Bachelor's Degree in Business Management, a Diploma in Sales, and a Certificate in Insurance Skills.

In June 2022, she joined the Board as a Director representing the founding shareholder, Kinondoni Municipal Council. She currently serves as the Director of Kinondoni Municipality, where she has demonstrated exceptional leadership and management skills.

With her extensive knowledge and expertise, Ms. Hamza has played a pivotal role in driving the growth and success of the organization. Her strategic vision and ability to navigate complex business challenges have earned her a reputation as a respected leader in the industry.

Overall, Ms. Hamza's impressive credentials and track record of success make her a valuable asset to any organization. Her dedication to excellence and commitment to achieving results make her a true leader in her field.



Isidori Msaki

Acting Managing Director

Mr. Isidori Msaki, a Tanzanian management professional with a wealth of experience in his field who currently resides in Dar es Salaam, Tanzania.

Throughout his career, Mr. Msaki has held various leadership positions, showcasing his exceptional management skills and expertise. He is a graduate of a reputable university, where he earned his degree in management. Since then, he has worked with several leading organizations in Tanzania, making significant contributions to their growth and development.

Mr. Msaki's educational and professional qualifications are impressive, including a Master's degree in Entrepreneurship and Enterprise Development from UDSM (MEED) in 2009, a Bachelor of Arts in Economics (Hons) from Agra University India in 1999, and various certificates of education from secondary and primary schools.

In addition to his formal education, Mr. Msaki has attended several seminars, workshops, and courses, including training on Certification in Directorship (CiDir) conducted by the Institute of Directors in Tanzania (IoDT) in 2022 and a Global Retail Banking (GRCB) Collections Management Program in 2011.

With his exceptional management skills, industry expertise, and philanthropic contributions, Mr. Msaki is a well-respected figure in Tanzania's business community.

Our Management Team



Isidori Msaki

Acting Managing Director

Mr. Isidori Msaki, a Tanzanian management professional with a wealth of experience in his field who currently resides in Dar es Salaam, Tanzania.

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With his exceptional management skills, industry expertise, and philanthropic contributions, Mr. Msaki is a well-respected figure in Tanzania's business community.



Nelson Swai

Chief Operations Officer

Mr. Swai has a Masters of Law in Information Technology and Telecommunications (LLM IT&T) (United Kingdom Telecommunications Academy & International Telecommunications Union) Bachelor's Degree - Computer Science and Mathematics. (Bangalore University, India) Oracle Certified Associate (OCA) ISO 27001 Certified ISO 22301 Certified Member of the Project Management Institute of Tanzania (PMI).

He is an accredited leader by the Center for Creative Leadership(CCL) (2015-2016), a certified director by the institute of directors in Tanzania (IoDT) and currently pursuing the Chief Operating Officer Program with the Massachusetts Institute of Technology (Cohort1) (2022-2023).

Mr. Swai joined DCB Bank as the Chief Operating Officer on July 2019 from Ecobank (2015-2019) where he was serving as the Country Head Technology Services responsible for the overall strategic technological planning and driving the bank's digitization agenda.

Mr. Swai started his career in the Telecommunications sector with Vodacom Tanzania PLC (2010 - 2015) before joining the banking sector. He has successfully implemented solutions that have led to significant economic growth and transformation at the country and organizational levels. Nelson brings to us 12 years of experience in the banking and the telecommunications sector.

Some of his key strengths include : API-Led Banking, Business Strategy, Transactional Banking, Mobile Telephony, Data Protection and Privacy, Internet Governance, Enterprise Architecture, Radical Innovation, Systems Thinking, Transformational leadership.



Regina Mduma

Chief Manager-Legal Affairs and Company Secretary

Regina Mduma is a seasoned legal professional with nineteen (19) years of experience in law. She is an expert in corporate governance, banking and finance law, international trade law, insurance law, international contracts and arbitration. With a Master's in Law (LLM) in Import and Export Law (International Trade Law) from North-West University Potchefstroom Campus in South Africa, and a Bachelor of Laws (LLB) from the National University of Lesotho, Regina was admitted to practice as an Advocate and Attorney in three different jurisdictions (United Republic of Tanzania, The Kingdom of Lesotho and The Republic of Botswana). This enabled Regina to earn skills in both English Common Law and Roman Dutch Law legal systems.

In addition to her good credentials, Ms. Mduma holds certificates in both short-term (General Insurance) and long-term insurance (Life Insurance) from the South Africa Institute of Insurance (IISA) and Botswana Accountancy Collage respectively. She has also been certified as a Company Secretary and a Director by the Institute of Directors in Tanzania (IoDT).

Regina is a member of the Tanganyika Law Society and the East African Law Society. She is also a non-practice member of the Lesotho Law Society and Botswana Law Society.



Deogratius Thadei

Chief Internal Auditor

Deogratius Thadei is a qualified accountant with over 9 years of experience in auditing, accounting, and finance. He has worked with Deloitte & Touche and First National Bank Tanzania. Deogratius has a strong background in finance, including budgeting, forecasting, procurement, cash flow management, and knowledge of Tanzanian tax matters. He is an excellent leader with a track record of improving financial management and reporting, streamlining operations and processes, and enhancing internal controls.

Deogratius holds an Authorized Certified Public Accountant (ACPA-T) certification from the National Board of Accountants and Auditors Tanzania, and a Bachelor of Business Accounting and Finance from Mzumbe University. He is a member of the Association of Certified Chartered Accountants (ACCA - UK) and the Institute of Internal Auditors Tanzania.

His employment record includes working as an Internal Audit Manager at First National Bank Tanzania and various roles at Deloitte & Touche Tanzania, including Audit Associate, Audit Senior Associate, and Audit Senior. Deogratius has experience in managing audit engagement teams, evaluating internal controls, reviewing financial statements, and ensuring compliance with laws and regulations.



Deusdedith Mulindwa

Chief Manager, Finance

Deusdedith Mulindwa is a financial professional with over 12 years of experience in different positions in various organizations, including 8 years as a Head of Finance. He is currently the Chief Manager, Finance at DCB Bank. Prior to that, he worked at FINCA Microfinance Bank, BRAC Tanzania Finance for 4 years as Head of Finance and KPMG as a senior auditor for 5 years.

Deusdedith holds a Master's in Business Administration (MBA) from the University of Dar Es Salaam, a professional qualification (CPA-T) from the National Board of Accountants and Auditors, a professional qualification (ACCA) from the Association of Chartered Certified Accountant, a Bachelor of Commerce (Accounting) from the University of Dar es Salaam, and an Advanced Diploma in Accounting and Business from the Association of Chartered Certified Accountant.

His experience includes running large organizations dealing with financial activities, being part of management boards, preparing and reviewing policies and procedures, providing leadership to key strategic decisions, training and coaching staff, raising funds, and maintaining communication with various stakeholders.



Haika Machaku

Chief Manager, Microfinance

Haika Machaku is a Tanzanian banking professional with over 25 years experience in the Banking Industry. She has held various positions in the banking sector including Chief Manager Microfinance, Senior branch manager, credit manager and foreign trade officer at NBC Limited. She is an associate member of Tanzania Institute of Bankers.

Haika holds a Master's degree of Business Administration (MBA) and Postgraduate Diploma in Microfinance (PGDMF) both from The University of Dar es Salaam and an Associate Diploma of Banking from Tanzania Institute of Bankers (TIOB).

She attended various training within and outside the Country; Including Institute of Directors in Tanzania (IODT), Risk Management and Regulatory perspectives, International Exposure training of Mobile and Agency Banking conducted by Kenya School of Monetary Studies, SME study tour conducted in India and Bangladesh, The future of SME Financing CEO & Senior Leaders in Istanbul Turkey, Housing Finance conducted at University of Pennsylvania in Philadelphia USA, Housing Finance for the poor-conducted at Boulder Institute of Microfinance-Turine Italy, Credit Management and Loan Appraisal, Agriculture Financing-Cotono Bernini and most recently the Africa Microfinance Week in Kigali, Rwanda.

Haika also conducted research on credit risk management, credit information bureau and the impact of microfinance institutions on poverty reduction.



Emmanuel Mushi

Acting Chief Manager, Risk and Compliance

Emmanuel Yakobo Mushi is a Tanzanian banking professional with 14 years of experience in the industry. His expertise covers accounting, finance, administration, fund transfer management, risk management, and compliance. Emmanuel is a self-motivated and enthusiastic individual with strong communication and interpersonal skills, as well as leadership and organizational abilities.

Emmanuel holds an Advanced Diploma in Accountancy from the Tanzania Institute of Accountancy and a Professional Certificate in Network Administration from the University of Dar es Salaam Computer Centre. He is currently pursuing a Master of Science in Finance and Investment at the Institute of Finance Management. Throughout his career, Emmanuel has worked at DCB Commercial Bank PLC as the Acting Chief Manager Risk and Compliance, Senior Risk and Compliance Officer, and Finance Officer. He has also worked at International Commercial Bank (T) LTD as a Finance Officer and at Tanzania Investment Bank (TIB) Limited as a Finance Officer Trainee.

Emmanuel's key achievements include coordinating the test/review of system business continuity/disaster recovery, preparing risk and compliance annual strategies and plans, and resolving issues raised during bank examinations.



Ruth Mpangalala

Acting Chief Manager, Commercial

Ruth Mpangalala is the Acting Chief Manager, Commercial. She has 14-years' experience in business, 9 years being in Banking Industry. She has held various positions in different banks, including DCB Commercial Bank, Letshego Bank Tanzania LTD, TPB Bank Plc, and Twiga Bancorp Ltd and has a vast experience in commercial and corporate business.

Ruth has a Master of Science in Marketing Management from Mzumbe University Dar es Salaam Campus and a Bachelor Degree in Business Administration from Tumaini University Dar es Salaam College

She has also attended various courses and received awards, including Effective Marketing and Modern Business Development, Unleash your Sales Potential Training, and Training on Strategic Marketing for Business. Ruth has acquired different skills, including team management, customer service, negotiation, business management, networking, communication, interpersonal, leadership, client management, presentations, decision making, report writing, problem solving, and analytical skills.

Ruth is hardworking and quick learner who is skilled in working as a team leader, team member, and independently. She has a long-term aspiration of working and growing in the banking industry. Her goal is to enhance growth in businesses and banking profession.



Msingo Mkanzabi

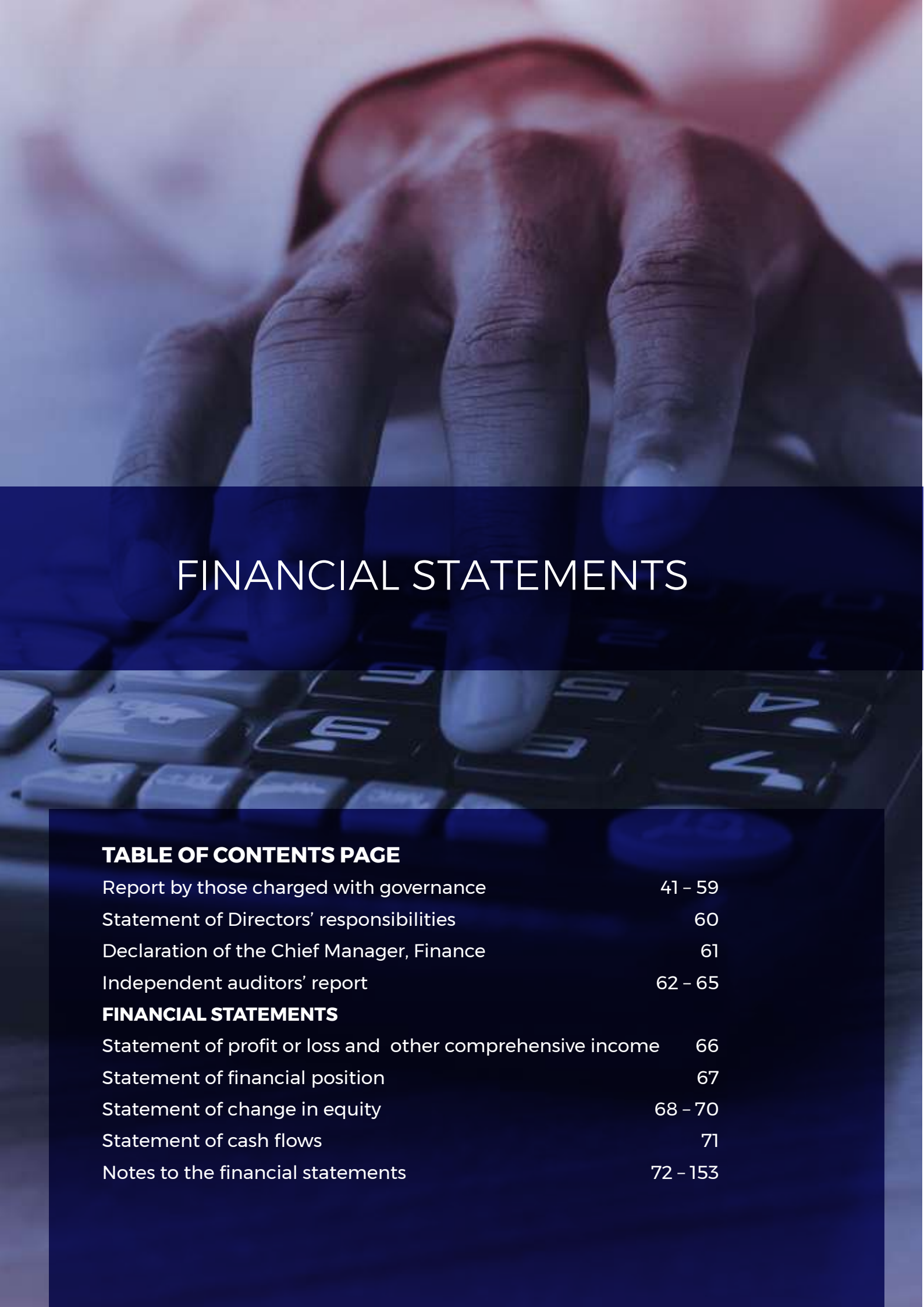
**Chief Manager, Human Resources
and Administration**

Msingo Mkanzabi is the Chief Manager, Human Resources and Administration at DCB. She is responsible for developing and executing human resource and procurement strategy in support of the overall bank's and strategic plan. Specifically, she oversees succession planning, talent management, change management, organizational and performance management, training and development, compensation, vendor management, supplies and office administration.

Msingo holds an Honours Degree in Industrial and Organisational Psychology from the University of South Africa. She also holds a Bachelor of Social Sciences Degree in Industrial, Organisational and Labour Studies, from University of Cape Town. She has over 17 years of experience providing human capital advisory services in various sectors in East Africa. She worked as a Manager for Deloitte Consulting Limited before joining DCB in June 2022.

“Our bank is privileged to have a pool of committed, innovative and talented team who are eager to learn and cope with emerging challenges.”

Isidori Msaki
Acting Managing Director



FINANCIAL STATEMENTS

TABLE OF CONTENTS PAGE

Report by those charged with governance	41 – 59
Statement of Directors' responsibilities	60
Declaration of the Chief Manager, Finance	61
Independent auditors' report	62 – 65

FINANCIAL STATEMENTS

Statement of profit or loss and other comprehensive income	66
Statement of financial position	67
Statement of change in equity	68 – 70
Statement of cash flows	71
Notes to the financial statements	72 – 153

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022**1. INTRODUCTION**

The Directors submit their report together with the audited financial statements for the year ended 31 December 2022, which disclose the state of affairs of DCB Commercial Bank Plc ('The bank').

2. INCORPORATION

The bank was incorporated in 2001 under the Companies Ordinance, Cap 212 (later repealed by the Companies Act No 12 of 2002) and is listed at the Dar es Salaam Stock Exchange. The bank of Tanzania provided license under the Banking and Financial Institutions Act, of 2006.

3. PRINCIPAL ACTIVITIES

The principal activities of the bank are taking deposits on demand, providing short-term, medium-term and long-term credit facilities, and other banking services allowed under Banking and Financial Institutions Act, of 2006.

4. DIVIDENDS

Due to changes in regulatory requirements for the bank to pay dividends, the Directors do not propose payment of dividends for the year 2022 (2021: NIL).

5. PERFORMANCE FOR THE YEAR

The bank has managed to record a profit before tax of TZS 967 million for the year ended 31 December 2022 (2021: loss before tax of TZS 2.19 billion). The bank profitability in 2022 was mainly contributed by non - interest income TZS 6.9 billion to TZS 10.3 billion as the bank net interest margin was subdued. The loss in 2021 emanated due to errors resulted in the underestimation of potential credit losses, requiring adjustments to be made in the year 2021.

Investment initiatives conducted during the year resulted in a 3.6% increase in interest income. Interest and similar income increased year on year to reach TZS 28.61 billion from TZS 27.62 billion in 2021. The increase in interest and similar income is a result of investment increase in government securities from TZS 28.62 billion in 2021 to TZS 41.3 billion in 2022, an increase of 44% year on year. Gross loans and advances to customers increased by 7% year on year, from TZS 121.73 billion in 2021 to TZS 130.36 billion in 2022 due to new credit products introduced in 2022.

Interest and similar expenses increased by 16.7% in 2022 compared to 2021, The interest and similar expenses by year-end stood at TZS 13.38 billion from 2021 level of TZS 11.46 billion; the increase was spurred by deposit growth from customers by 13.29% (TZS 16.65 billion) year on year from TZS 125.29 billion in 2021 to TZS 141.95 billion in 2022. The long-term borrowing increased by TZS 3.47 billion from TZS 8.4 billion in 2021 to TZS 11.9 billion in 2022.

Non-interest income increased by 49% year on year from TZS 6.8 billion to TZS 10.3 billion in 2022 due to an increase in the trade finance business, foreign exchange income, and net gain on the sale of bonds. Trade finance income tripled year on year from TZS 349 million in 2021 to TZS 1.1 billion in 2022, an increase of 211% (TZS 735 million). The impact of non-funded facilities on guarantee and letter of credit. Fees and Commissions increased by TZS 200 million year on year from 2021 TZS 337 million to TZS 537 million in 2022 due to the stability of the digital platform which accelerated mobile and internet banking transactions.

Net gain on sale of bond year-on-year growth of TZS 2.38 billion (195%) to TZS 3.61 billion in 2022 from TZS 1.22 billion in 2021 as a result of active participation in secondary market. Forex income increased from TZS 280 million in 2021 to TZS 386 million in 2022. The increase was driven by the increase in the number of customers and trading volumes mainly from trade finance customers.

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**5. PERFORMANCE FOR THE YEAR (CONTINUED)****KEY PERFORMANCE INDICATORS**

The following Key Performance Indicators (KPIs) are effective in measuring the delivery of the bank's strategy and managing the business.

PERFORMANCE INDICATOR	DEFINITION AND CALCULATION METHOD	2022	2021
Return on equity	Net income/Total equity	3%	(6%)
Return on assets	Net income/Total assets	0.4%	(0.9%)
Cost to income ratio	Operating costs/Net income gross of impair charge on loans and advances to customers	81%	81%
Interest margin on earning assets	Total interest income/(Government securities + inter-Bank loan receivables + investments in other securities + net loans, advances and overdrafts)	17%	19%
Non - interest income to Gross income	Non - interest income/total income gross of impair charge on loans and advances to customers	40%	30%
Earnings per share	Basic earnings/number of ordinary shares in issue	7.66	(16.84)
Non - performing loans to gross loans	Non-performing loans/gross loans and advances	12.2%	11.1%
Earning assets Ratio	Earning assets/Total assets	79%	77%
Growth on total assets	(Current year total assets/ prior year total assets) - 1*100%	10%	11%
Growth on loans and advances to customers	(Current year net loans and advances/prior year net loans and advances) - 1*100%	5%	17%
Growth on total deposits	(Current year total deposits/prior year total deposits) - 1*100%	13%	26%
Capital adequacy			
Tier 1 Capital	Risk Weighted assets including off-statement of financial position items/Core Capital	14.41%	14.02%
Tier 1+Tier 2 Capital	Risk Weighted assets including off-statement of financial position items/Total Capital	14.90%	14.41%

6. CORPORATE GOVERNANCE

The bank is committed to the principles of effective corporate governance. The DCB Commercial Bank Plc Board of Directors recognize the importance of integrity, fairness, transparency, and accountability. Directors have a statutory duty to promote the success of the bank for the benefit of the shareholders. In promoting the success of the bank, Directors must have due responsibility with regard to the short, medium and long-term strategies, the legitimate interests of employees, the need to have effective business relationships with suppliers, customers and various stakeholders, the impact of the bank's operations on the community, the environment, and the desire to maintain high standards of business conduct.

The Board has an oversight responsibility for the bank, including responsibility for setting the risk appetite for the bank, considering, and monitoring investment decisions, considering significant financial matters, approving and reviewing the business performance and budget. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and compliance with sound corporate governance principles.

The Board is committed to ensure that the bank complies with all applicable laws, regulations, and consider adherence with codes and standards applicable to the industry. The Board ensures that high standards and practices in Corporate Governance and more specifically the principles, practices and recommendations set out under the BOT regulations on corporate governance (2021), Code of Corporate Governance Practices for Listed Companies, 1994 (CMSA Principles of Good Corporate Governance Practices), DSE rules (2022) as well as the Companies Act, 2002 (CAP 212) are adhered to.

The Board has delegated the day-to-day management of the business to the Managing Director assisted by the management team.

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**6. CORPORATE GOVERNANCE (CONTINUED)****The Board of Directors**

The Board of Directors act as stewards of the bank in governing the present times and providing guidance and direction for the future. The Board has delegated, implementation of the bank strategy, management, and day-to-day operations of the bank to the Managing Director. The management shall regularly provide reports to the Board and relevant Board committees for the Board to make informed decisions and provide guidance on the business. The management shall be accountable for providing information requested by the Board and the Board committees in a timely, transparent, and accurate manner.

Throughout the year the bank had 8 Directors including the Managing Director. However, in December 2022 the directorship of the managing director seized. Apart from the Managing Director no other Director holds an executive position in the bank.

Roles and Responsibilities of the Board

The board of directors is responsible for among others matters for:

- Providing effective oversight and control on all affairs of the bank.
- Approving the bank's vision, mission, business ethics, code of conduct, goals, strategic business plans, annual budget and policies as well as monitor the management to ensure the business operates in line with the approved policies.
- Performing its duty in compliance with relevant laws, regulations, and regulatory requirements to ensure that the bank's business operation is accurate, transparent, and free from corruption.
- Ensuring that the bank has in place efficient risk management framework, policies, procedure, and guidelines which shall provide adequate risk management tools covering all risk areas.
- Setting the bank's risk appetite and ensuring that management and all employees operate within the agreed risk appetite and risk limits.
- Assigning the Board Audit, Risk and Compliance Committee to regularly monitor the internal control and assess the efficiency.
- Monitoring and ensuring that the bank has stable and adequate capital.
- Approving the annual audited financial statements before presenting the same to the shareholders.
- To appoint the Managing Director, the Company Secretary and executive management members of the bank. The Board shall ensure that there is a proper mechanism in place for the nomination and development of the managing director and key executives to ensure that they possess the knowledge, skills, experience, and characteristics necessary for the company to achieve its objectives.
- Ensure that all credit facilities granted to insiders and him or his related parties by the bank are given at an arm's length basis.
- The Board shall set appropriate performance and remuneration standards for senior management consistent with the long- term strategic objectives and the financial soundness of the bank.
- The Board shall ensure there is appropriate succession plan for senior management position.

During the year the Board performed their roles and responsibilities as provided in the DCB MEMARTS and BOARD CHARTER. All members of the Board were collectively responsible and complied with the best practices in corporate governance practices.

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

6. CORPORATE GOVERNANCE (CONTINUED)

Members charged with Governance

The Directors of the bank at the date of this report, who have served in office since 1st January 2022, except where otherwise stated, are:

NAME	POSITION	AGE	GENDER	NATIONALITY	QUALIFICATION/DISCIPLINE	REMARKS
Mr. Maharage A. Chande	Chairman	47	Male	Tanzanian	Masters in business leadership and Bachelor of science in Electronics and Communications	Re - Appointed 1 st June 2019 Retired 19 th August 2022
Ms. Zawadia J. Nanyaro	Vice Chairman	50	Female	Tanzanian	MBA (Finance), B. Com (Hons) in accounting, holder of CPA (T) in Public Practice (CPA -PP) and Certified Information System Auditor -CISA.	Re -Appointed 27 th June 2020
Ms. Pamela F. Nchimbi	Member	41	Female	Tanzanian	MBA, Bachelor of Commerce (Corporate Finance), holder of ACI dealing certificate, Authorized Dealer's Representative, Level 1 Candidate in the Chartered Financial Analyst program, Fundamental Securities Certificate.	Appointed on 27 th May 2017
Mr. Alexander Sanga	Member	44	Male	Tanzanian	Master of Business Administration, Bachelor of Science in Computer Science, Certified Information Systems Audit (CISA) - ISACA, Certified Information Manager (CISM) - ISACA, Agile Expert Certified Credential (AEC), Scrum Master Certified Credential (SMC), , Certified and Information Systems Control (CRISC) - ISACA and Certified in Governance of Enterprise IT (CGEIT) - ISACA	Appointed on 17 th April 2020
Dr Amina Baamary	Member	46	Female	Tanzanian	PHD in Business Administration majoring in Microfinance Groups and SMEs Development), Master of Business Administration, Bachelor of Commerce (with Honors) Majoring in Cooperate Finance and Diploma in Accountancy.	Appointed on 12 th June 2021
Mr. Cliff Maregeli	Member	42	Male	Tanzanian	Masters' degree in Computer Engineering, Bachelor's degree in Computer Engineering and IT and Professional Certificates in areas of Project Management, IT Governance, Procurement and IT Infrastructure technologies, IT networks and applications.	Appointed on 12 th June 2021
Mr. David Shambwe	Member	49	Male	Tanzanian	Bachelor of Commerce in Marketing and various courses on business.	Appointed on 12 th June 2021
Ms. Hanifa Hamza	Member	39	Female	Tanzanian	Masters of Business Administration (International Business), Post graduate diploma in business Administration, Advanced Diploma in marketing and Certificate in Proficiency in Insurance.	Appointed on 9 th May 2022
Mr. Godfrey Ndalaha	Managing Director	46	Male	Tanzanian	CPA (T), Bachelor of Commerce (in accounting)	Appointed on 1 st January 2018 Retired on 5 th December 2022
Mr. Isidori Msaki	Acting Managing Director	50	Male	Tanzanian	Masters in Entrepreneurship & Enterprises dev. Bachelor of arts	Appointed as Acting Managing Director on 5 th December 2022

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**6. CORPORATE GOVERNANCE (CONTINUED)****Members charged with Governance (continued)**

* **Maharage Ally Chande** was the Chairman of the Board and upon his retirement, Ms. Zawadia Nanyaro (who was the vice chairperson of the Board) acted as the Chairperson of the Board. On the 14th February 2023 the Board appointed Ms. Zawadia Nanyaro as the chairperson of the Board.

* **Godfrey Ndalohwa Petro** was the Managing Director of the bank until the 5th December 2022. The Board Appointed Mr. Isidori Msaki to act as the Managing Director of the bank.

Directors' interest in the bank's shares

NAME OF THE DIRECTOR	NUMBER OF SHARES HELD 2022	NUMBER OF SHARES HELD 2021
Mr. Maharage A. Chande	243,883	243,883
Ms. Zawadia J. Nanyaro	21,832	21,832
Ms. Pamela F. Nchimbi	185,020	101,597
Mr. Godfrey P. Ndalohwa	113,208	113,208
Mr. Cliff Maregeli	50,934	10,000
Total shares held by directors	614,877	490,520

The Board of Directors meetings

During the year the Board held five (5) ordinary meetings and seventeen (17) extra ordinary meetings. The attendance is as shown in the table below:

NO	NAME	POSITION	TOTAL MEETING	NO. OF MEETINGS ATTENDED
1	Mr. Maharage A. Chande	Chairman	10	10
2	Ms. Zawadia J. Nanyaro	Vice Chairperson	22	22
5	Ms. Pamela F. Nchimbi	Member	22	22
6	Mr. Alexander M. Sanga	Member	22	21
7	Dr Amina A. Baamary	Member	22	22
8	Mr. Cliff N. Maregeli	Member	22	22
9	Mr. David M. Shambwe	Member	22	21
10	Ms. Hanifa S. Hamza	Member	14	10
11	Mr. Godfrey Ndalohwa Petro	Member	17	16

Note

1. Mr. Maharage Chande retired from the DCB Board on the 19th August 2022.
2. Ms. Hanifa Hamza is a new Board Member who started attending meetings after the 20th Annual General Meeting held on 12th June 2022.
3. Mr. Godfrey Ndalohwa Petro retired from the DCB Board on the 5th December 2022.

Board Committees

Each Committee has a charter to govern the roles and responsibilities as well as the efficiency and effectiveness of board performance. During the year, the Board had the following Board sub-committees to ensure a high standard of corporate governance.

a. Board Audit, Risk and Compliance Committee (BARCC)

The BARCC held four (4) ordinary meeting and four (4) extra ordinary meetings whose attendance is as shown in the table below:

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**6. CORPORATE GOVERNANCE (CONTINUED)****Board Committees (continued)****a. Board Audit, Risk and Compliance Committee (BARCC) (continued)**

NO	NAME	POSITION	TOTAL MEETING	NO. OF MEETINGS ATTENDED
1	Ms. Pamela F. Nchimbi	Chairperson	7	7
2	Ms. Zawadia J. Nanyaro	Member	7	7
3	Mr. Alexander M. Sanga	Member	8	7
4	Ms. Hanifa S. Hamza	Member	3	2

1. Ms. Zawadia Nanyaro was the chairperson of the BARCC until the 19th of August 2022 when she started acting as the chairperson of the Board and for governance purposes her membership in Board Committees was seized.
2. After the appointment of Ms. Zawadia Nanyaro as the acting chairperson of the Board, the Board reconstituted its committees and appointed Ms. Pamela Nchimbi as the Chairperson of the BARCC.

b. Board Nomination and Human Resources Committee (BNHRC)

The BNHR Committee held four (4) ordinary meetings. The attendance is as shown in the table below:

NO	NAME	POSITION	TOTAL MEETING	NO. OF MEETINGS ATTENDED
1	Dr. Amina A. Baamary	Chairperson	10	10
3	Ms. Pamela Nchimbi	Member	5	5
4	Mr. David Shambwe	Member	10	10
5	Mr. Cliff N. Maregeli	Member	10	10

c. Board Strategy & Credit Committee (BSCC)

The BSC Committee held four (4) ordinary meetings and one (1) extra ordinary meeting. The attendance is as shown below:

NO	NAME	POSITION	TOTAL MEETING	NO. OF MEETINGS ATTENDED
1	Mr. David M. Shambwe	Chairperson	4	4
3	Ms. Pamela F. Nchimbi	Member	1	1
5	Dr. Amina A. Baamary	Member	4	4
6	Mr. Cliff N. Maregeli	Member	4	4

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**7. MANAGEMENT TEAM**

As at 31 December 2022, the management of the bank was under the Acting Managing Director, assisted by the following:

NO	POSITION	NAME
1	Acting Managing Director	Mr. Isidori Msaki
2	Chief Manager, Finance	Mr. Deusdedith Mulindwa
3	Chief Operations Officer	Mr. Nelson Swai
4	Acting Chief Manager, Credit	Mr. Godwin Mngulu
5	Acting Chief Manager, Risk and Compliance	Mr. Emmanuel Mushi
6	Chief Internal Auditor	Mr. Deogratius Thadei
7	Chief Manager, Human Resources and Administration	Ms. Msingo Mkanzabi
8	Chief Manager, Legal Affairs and Company Secretary	Ms. Regina Mduma
9	Acting Chief Manager, Commercial	Ms. Ruth Mpangalala
10	Chief Manager, Microfinance	Ms. Haika Machaku

In February 2023, the Board appointed Mr. Deusdedith Edward Mulindwa as a Chief Manager Finance and he was successfully vetted by the Bank of Tanzania in March 2023. He joined the bank in April 2023. Prior to that Mr. Siriaki Surumbu, the Finance Manager was acting as the Chief Manager, Finance

In February 2023, the Board appointed Mr. Sabasaba Moshingi as the Managing Director of the bank and he was successfully vetted by the Bank of Tanzania in March 2023.

8. CAPITAL STRUCTURE AND CASHFLOWS**Stock exchange information**

The bank is listed at the Dar es Salaam Stock Exchange, and it is actively trading in the exchange. The performance of the bank's shares in the secondary market was as follows: Market capitalization as at 31st December 2022 was TZS 14.65 billion (2021: TZS 18.55 billion); Average price per bank's share was TZS 170 (2021: TZS 221.50) and the closing share price as at 31st December 2022 was TZS 150. (2021: TZS 190) per share.

The bank's capital structure for the year under review is as below:

Authorized	400,000,000 ordinary shares of TZS 250 each.
Called up and fully paid	97,646,913 ordinary shares of TZS 250 each.

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**8. CAPITAL STRUCTURE AND CASHFLOWS (CONTINUED)****The share holders of the bank**

The total number of shareholders as of 31 December 2022 was 7,370 (2021: 7,343 shareholders). The shares of the bank are as follows:

NAME	NO. OF SHARES	VALUE OF SHARES TZS	% HOLDING
UTT-AMIS	23,211,479	5,802,869,750	23.77
Dar es Salaam City Council	10,228,320	2,557,080,000	10.47
Ilala Municipal Council	7,866,859	1,966,714,750	8.06
National Health Insurance Fund	6,000,000	1,500,000,000	6.14
Kinondoni Municipal Council	5,625,019	1,406,254,750	5.76
Temeke Municipal Council	3,422,252	855,563,000	3.50
Ubungu Municipal Council	2,877,367	719,341,750	2.95
Kigamboni Municipal Council	2,281,502	570,375,500	2.34
Other 7,362 members	36,134,115	9,033,528,750	37.00
Total share capital	97,646,913	24,411,728,250	100.00

As at 31 December 2021

NAME	NO. OF SHARES	VALUE OF SHARES TZS	% HOLDING
UTT-AMIS	23,211,479	5,802,869,750	23.77
Dar es Salaam City Council	10,228,320	2,557,080,000	10.47
Ilala Municipal Council	7,866,859	1,966,714,750	8.06
National Health Insurance Fund	6,000,000	1,500,000,000	6.14
Kinondoni Municipal Council	5,625,019	1,406,254,750	5.76
Temeke Municipal Council	3,422,252	855,563,000	3.50
Ubungu Municipal Council	2,877,367	719,341,750	2.95
Kigamboni Municipal Council	2,281,502	570,375,500	2.34
Other 7,335 members	36,134,115	9,033,528,750	37.00
Total share capital	97,646,913	24,411,728,250	100.00

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**8. CAPITAL STRUCTURE AND CASHFLOWS (CONTINUED)****Funding mix**

The bank funding mix as at 31 December 2022 is as below

DETAILS	31 DECEMBER 2022 TZS'000	31 DECEMBER 2021 TZS' 000
Equity		
Share Capital	24,061,904	24,061,904
Share premium	4,183,291	4,183,291
Accumulated losses	(3,792,602)	(4,751,930)
Other Reserves	3,395,171	3,606,802
Debt		
Customer Deposits	141,941,494	125,291,419
Deposits from banks and financial institutions	23,934,235	24,749,752
Borrowings	11,900,791	8,426,352
Other liabilities	2,774,670	2,860,555
Lease liabilities	2,883,633	3,546,595

The bank liquidity is at a stable level whereby customer deposits increased to TZS 141.94 billion during the year. The bank added a TZS 4 billion long-term borrowing from Tanzania Mortgage Refinance Company Ltd during the year.

Highly liquid assets classified as cash and cash equivalents decreased by 4% from TZS 13.77 billion in 2021 to TZS 13.25 in 2022. This demonstrates the banks' ability to maintain a stable liquidity position.

Capital management

The banks' regulatory capital during the year remained above the regulatory required levels. The Tier 1 Capital ratio stood at 14.41% (2021: 14.02%). Tier 2 Capital closed at 14.90% (2021:14.41%). Note 6.5 on financial risk management disclosures details the components of Tier 1 and 2 capitals as at 31st December 2022 as compared to 31st December 2021.

9. LIQUIDITY

Liquidity risk is defined as the potential for loss to the bank arising from either its inability to meet its obligations as they fall due or to fund an increased in assets without incurring unacceptable costs or losses.

Successful liquidity management assures the bank of business continuity and command respect from the market. Treasury has the responsibility of managing liquidity risk and at the same time be able to meet its entire obligation when fall due. Poor management of the liquidity may result into interest rate risk hence affect the net interest income of the bank. For proper Liquidity management the limits shall be established to the extent to which DCB can take liquidity risk as established in Risk Management Program. The size of the limit will greatly depend on bank's capital, depth of the market, the Bank's experience level, the stability of the liabilities and the liquidity of the assets.

Basically, the Asset Liability Management Committee (ALCO) manages the liquidity by dealing with the following:

- Maintain an effective liquidity management to ensure that trust and confidence is maintained in the Bank to avoid liquidity crisis.
- Ensure that the agreed commitments to the Bank's creditors can be met in the long term (solvency) and at the right time (liquidity)
- Maintain an adequate level of liquidity at all times for both expected and unforeseen obligations, and/or, contingent needs. Never hold too much never hold too little.

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**9. LIQUIDITY (CONTINUED)**

- Ensure that cash needs can always be met at a reasonable cost, too much cash is a cost to the bank, but also too little cash is a risk to the bank, so we should establish optimal level.
- Maintain combined liquidity reserves of cash and securities and unused bank lines of credit as a buffer just in case.
- Maintain access to the financial market.
- Ensure that its assets and liabilities are diversified across currencies, geographic areas, and businesses.
- Observe the funding mix.

The ALCO guided by Treasurer, reviews the current and prospective funding requirements for the Bank, analyze the maturity structures of both assets and liabilities considering all funding obligations, especially deposits and borrowings.

10. BUSINESS OBJECTIVES AND STRATEGIES**Bank's vision**

The vision of DCB Commercial Bank Plc is to be the preferred financial services provider in Tanzania.

Bank's mission

The mission of DCB Commercial Bank Plc is to provide convenient, excellent, and innovative financial services to our esteemed customers, while contributing to the social and economic development and generating value to shareholders.

Bank's values

- ***Integrity***

We possess the courage to do and say the right things.

- ***Teamwork***

We are committed to achieving common goals based on open and honest communication while showing concern and support for each other.

- ***Respect***

We understand and encourage diversity of views among our employees and stakeholders.

- ***Responsibility and Accountability***

We are accountable for failure as well as success, and do not play the blame game.

- ***Creativity and Innovation***

We are the pioneers of innovation and better ways to do things.

- ***Excellence***

We are passionate about leaving things better than they were found.

Bank's behaviours

- ***Speed in Execution***

We are proactive and prioritize our duties, we say no to procrastination.

- ***Time Management***

We respect and value time, we are accountable not to waste time.

- ***Ownership***

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

We hold ourselves accountable.

10. BUSINESS OBJECTIVES AND STRATEGIES (CONTINUED)**Bank's service principles**

- **Knowledge:** DCB Bank products and service
- **Friendly:** Active listening and courtesy
- **Timely:** Respond promptly and keep our word
- **Value Add:** Go the extra mile / be a solution provider

Our Strategy

DCB Board of directors approved the bank's five-year plan (2021-2025) in December 2020 with a focus on 5 key areas; Success in these areas is expected to propel the bank towards achieving the desired profitability by addressing the cost of funding, non-funded income ratio, footprint agenda and our presence in the digital space.

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**10. BUSINESS OBJECTIVES AND STRATEGIES (CONTINUED)****Our Strategy (continued)**

- Customer Deposit Base Growth – the bank is targeting a current and savings accounts ratio of 67% by 2025 with average customer deposit at TZS 300 billion. Initiatives to achieve this level of growth are ongoing, where the Bank provides tailored solutions to prospective customers to attract cheap deposits.
- Loan Book Growth – Our business segments (Commercial, Personal banking and Microfinance) continue to make headway lending to the various sectors within the country. The bank is focused on financing ongoing government projects through our trade financing solutions, as well as other sectors of focus include trading, real estate, transportation, energy, communication, and agriculture. Together with efforts to grow our loan portfolio, management is keen on monitoring and recovery of the non-performing loans with expectations to meet required level of NPL 5% by end of 2022. The ongoing efforts to digitize the bank have seen roll-out of short-term loans on mobile (Digital Salary Advance); in the long-term, the bank is expected to partner with MNOs and FinTech's to further extend digital loans to the masses targeting 50% of our portfolio going digital by 2025.
- Channel Optimization – After assessing our position in 2020 the bank set out to 'catch-up' with the industry in terms of services offered. During the year 2021 the bank on boarded VISA services, launched internet banking services and is currently in the final stages of completing its state-of-the-art mobile application. Apart from only 'catch-up' the bank went further to enhance its services, offering more than the basics including Mastercard-QR, mobile interbank transfers and MNO interoperability. Efforts are ongoing to ensure all customers are digitized and sensitized to increased usage of our channels growing our fees and deposits targeting a digital customer base of at least 152,000 customers – being 38% of the population.
- Non-Funded Income - is targeted to reach 33% of total income by 2025. Efforts are underway to ensure this is achieved with a spotlight on payment solutions offered to our customers. The bank has designed innovative solutions to tap into e-commerce businesses, day to day payment needs of every individual and ultimately become the go-to payment bank - attracting transactional fees and cheap deposits.
- Footprint – DCB bank aims to have 13 branches and 28 service stations by 2025. These branches are to be opened in strategic locations across the country to support the bank's service stations according to the bank's hub and spoke expansion plan – expected to drive down CIR to the envisaged 55%.

Business growth initiatives are already underway including rebranding and positioning the bank will ensure the realization of the five-year ambitions given the existing competitive market landscape. The primary focus is to build a strong customer base that is digitally active to achieve sustainable and profitable growth. The bank's digital transformation journey is well on its way, in terms of investment in the necessary technology and delivery channels to expand our outreach. We plan to continue leveraging on our enhanced delivery channels – mobile banking, agency banking, strategic partnerships with payment gateways, and minimal brick and mortar branch expansion.

Looking ahead, the bank aims to accelerate growth over the next three years (2023-2025), having positioned itself as the go-to partner in the market. The bank has engaged key stakeholders, including MNOs and FinTech, on several levels, and has launched new products and services in the second and third quarters of 2022 as evidence of these partnerships. These partnerships offer convenience, flexibility, and simplified access to financing to both existing and potential customers throughout the country.

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**10. BUSINESS OBJECTIVES AND STRATEGIES (CONTINUED)****ACTUAL PERFORMANCE AGAINST BUDGET****Income statement**

The bank recorded a Profit before tax (PBT) of TZS 967 million cumulatively, ahead of the comparative period last year's loss of TZS 2.18 billion which translates to an achievement of 24% (TZS 4.04 billion) against the budget.

KEY PERFORMANCE INDICATOR	ACTUAL 2022 TZS BILLION	BUDGET 2022 TZS BILLION	% BUDGET ACHIEVEMENT	ACTUAL 2021 TZS BILLION
Interest income	28.61	33.35	86%	27.61
Interest expense	13.38	13.78	97%	11.46
Net interest margin	15.23	19.57	78%	16.15
Non funded income	10.28	9.25	111%	6.89
Operating expenses	20.66	21.11	98%	18.72
Loan loss provision charge/ (release)	3.87	3.67	105%	6.50
Profit (loss) before tax	0.97	4.04	24%	(2.18)

Balance sheet

The bank continued to balance its profitability goals and liquidity compliance through efficient management of its balance sheet, achieving a 14% growth in earning assets from 2021 position of TZS 147 billion to TZS 168 billion by December 2022.

KEY PERFORMANCE INDICATOR	ACTUAL 2022 TZS BILLION	BUDGET 2022 TZS BILLION	% BUDGET ACHIEVEMENT	ACTUAL 2021 TZS BILLION
Investment in Government Securities	41,302	53,200	78%	28,617
Interbank loan receivables	3,963	3,967	100%	2,286
Loans and Advances to customers	120,848	147,761	82%	114,716
Equity Investments	2,040	2,040	100%	2,040
Earning Assets	168,153	206,968	81%	147,659
Deposits from Customer	141,941	161,799	90%	125,291
Due to banks and financial institutions	23,934	22,391	88%	24,750
Borrowings	11,901	28,833	41%	8,426
Interest bearing liabilities	177,776	213,023	83%	158,467

11. FUTURE PROSPECTS

For the year ended 2023, the bank continued to prioritize growth in key areas, including customer deposit base growth, loan book growth, non-funded income growth, footprint expansion, and alternative channel optimization. The bank's strategic plan for 2021-2025 aims to increase total assets from TZS 211.0 billion to TZS 250.3 billion in 2023 and to TZS 425.9 billion in 2025, and customer deposits from TZS 141.9 billion to TZS 174.4 billion in 2023 and to TZS 299.9 billion in 2025. The bank has continued to expand its delivery channels through digital platforms, agency banking, strategic partnerships, and branch expansion.

To ensure the realization of these ambitions, the bank has undergone a business transformation with several ongoing growth initiatives that include rebranding, repositioning, and aligning its overall structure. The bank's primary focus remains on building a strong digitally active customer base that will lead to sustainable and profitable balance sheet growth. The bank has continued to make significant investments in the necessary technology and delivery channels to expand its outreach for sustainable growth.

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**11. FUTURE PROSPECTS (CONTINUED)**

Looking ahead, the bank aims to accelerate growth over the next three years (2023-2025), having positioned itself as the go-to partner in the market. The bank has engaged key stakeholders, including MNOs and FinTech, on several levels, and has launched new products and services in the second and third quarters of 2022 as evidence of these partnerships. These partnerships offer convenience, flexibility, and simplified access to financing to both existing and potential customers throughout the country. The bank's long-term strategy is to continue leveraging its strategic expansion of delivery channels through digital platforms, agency banking, strategic partnerships, and branch expansion.

12. OPERATING ENVIRONMENT

The operating environment in 2022 remained stable, with the Tanzanian shilling (TZS) holding relatively steady against major trading partner currencies. This was largely thanks to the continued implementation of expansionary monetary policy by our regulator. As a result, the economy saw a persistent recovery from the effects of the COVID-19 pandemic, with real GDP projected to grow 5.1% in 2023, driven by improved performance in the tourism sector and the reopening of trade corridors.

Inflation remained low throughout the year, supported by subdued prices of both food and non-food consumer goods and services. This was within the target range and in line with regional convergence benchmarks. For the full year, headline inflation averaged 3.7%, compared to 3.3% in 2021.

Non-interest income increased by 49% year on year from TZS 6.9 billion to TZS 10.3 billion in 2022 due to an increase in the trade finance business, foreign exchange income, and net gain on the sale of bonds. Trade finance income tripled year on year from TZS 349 million in 2021 to TZS 1.1 billion in 2022, an increase of 211% (TZS 735 million). The impact of non-funded facilities on guarantee and letter of credit. Fees and Commissions increased by TZS 200 million year on year from 2021 TZS 337 million to TZS 537 million in 2022 due to the stability of the digital platform which accelerated mobile and internet banking transactions.

13. OPERATING MODEL

We are a full-service bank catering to the diverse banking needs of individuals, small to medium-sized businesses, and large corporate clients. Our extensive branch network includes over 8 branches, 1000 DCB Wakala Agents, and 280 Umoja switch ATMs, serving more than 3 million customers throughout the country.

We have segmented our client service into Personal banking, Group banking, Business banking, corporate banking, and Treasury services to offer targeted solutions that meet our customers' unique needs.

For **personal banking**, we offer a broad range of products, including multiple savings accounts, time deposits, and loans, as well as digital deposit accounts and lending platforms for easy access to funds.

Our **group lending** segment provides tailored banking solutions to solidarity groups, aligning with their business needs and cash flows from small business ventures. Our well-trained bank officers also provide financial well-being knowledge to customers.

Our **business banking** products cater to the needs of small and medium-sized businesses, providing innovative banking products for sole proprietors, partnerships, and companies, delivering a world-class banking experience and solutions.

For our **corporate** and high-net-worth clients, we offer premium products through our corporate banking segment to meet their business and personal banking needs, providing access to our first-class business and sector-specific knowledge and expertise tailored to their unique requirements.

In addition, we provide foreign currency services and money market services through our Treasury Services segment to individuals, groups, and businesses.

14. PRINCIPAL RISKS, UNCERTAINTIES AND OPPORTUNITIES**Risk management framework**

The management of risk lies at the heart of business. The Bank's major risks arise from extending credit to customers through our trading and lending operations. The Bank is also exposed to a range of other risk types such as market, liquidity, operational, reputational, and other risks that are inherent to Bank's strategy, product range and geographical coverage. Effective risk management is fundamental to being able to generate profits consistently and sustainably and is thus an integral part of the financial and Bank's operational management.

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**14. PRINCIPAL RISKS, UNCERTAINTIES AND OPPORTUNITIES (CONTINUED)****Risk governance**

The ultimate responsibility for setting our risk appetite and for the effective management of risk rests with the Board. Acting within an authority delegated by the Board, The Board Audit, Risk and Compliance Committee (BARCC) has responsibility for oversight and review of prudential risks including but not limited to credit, market, capital, liquidity and operational. It reviews the bank's overall risk appetite and makes recommendations thereon to the Board. It's responsibilities also include reviewing the appropriateness and effectiveness of the Bank's risk management systems and controls, considering the implications of material regulatory change proposals, ensuring effective due diligence on material transactions. The BARCC reviews regular reports on risk management, policies, stress testing, liquidity, and capital adequacy, and is authorized to investigate or seek any information relating to an activity within its terms of reference.

The Board accepts final responsibility for the risk management and internal control systems of the Bank. It is the task of the Directors to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis. The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system of internal control can provide absolute assurance against mis-statement or losses, the Bank's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

The Board assessed the internal control systems throughout the financial year ended 31 December 2022 and is of the opinion that they met accepted criteria. The Board carries out risk and internal control assessment through the Board Audit, Risk and Compliance Committee.

Risk Management Culture

The Bank is cognizant of the fact that people are its most asset and are core to the establishment of a positive and responsible risk management culture. To that end, the Bank continues to invest in the capability of its people through carefully designed initiatives and programs towards embedding a positive risk management culture in the Bank. Roles and responsibilities for risk management are defined under two lines of defence model. Each line of defence describes a specific set of responsibilities for risk management and control:

First line of defence: This compose of management and internal controls; operational managers own and manage risks. They also are responsible for implementing corrective actions to address process and control deficiencies.

Second line of defence: This comprises the independent risk function and is responsible for ensuring that the risks remain within the Bank's risk appetite.

Third line of defence: The independent assurance provided by the Internal Audit Department. Its role is defined and overseen by the Board Audit Committee.

In servicing its clients DCB Commercial bank Plc assumes numerous risks. Principal risks that the Bank is exposed to are:

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**14. PRINCIPAL RISKS, UNCERTAINTIES AND OPPORTUNITIES (CONTINUED)**

RISK	MITIGATION ACTIONS
Credit Risk Risk of loss arising from failure of customers to meet their contractual obligations when they fall due. These obligations can be financial and non-financial.	- Enhanced customer on boarding procedures with increased scrutiny on customer's past credit performance and present capacity. - Recovery process monitoring and reporting on monthly basis. - Proper loan monitoring procedures to flag out customers with elevated credit risk for quicker actions and remediation plans.
Compliance Risk Potential risk of penalties, sanctions, reputational damage and material loss resulting from failure to adhere to regulatory requirements.	- Periodic assessment of the bank's compliance with existing regulatory requirements. - Assessment of the adequacy of the bank's internal controls put in place to mitigate and manage compliance risk.
Strategic Risk Strategic risk can have severe consequences that impact organizations in the long term. Unmanaged strategic risks pose a risk to the bank. As such the bank manages its strategic risks in order to ensure that long term objectives are achieved.	- Formulation of a strategic plan that maps out the strategic activities and initiatives that are taken by the bank. - Monitoring of key performance indicators quarterly and discussed during the meeting of the Board Audit Risk and Compliance Committee. - Develop a performance evaluation system that tracks progress towards achieving both financial and non-financial targets. - Proper succession plan for the board of directors' critical positions (Chairman of the Board and the Managing Director) and management succession plan.
Liquidity Risk Inability of the bank in meeting its repayment obligations in full when they fall due or from being unable to do so at a sustainable cost.	- Ensure that the agreed commitments to the Bank's creditors can be met in the long term (solvency) and at the right time (liquidity). - Maintain combined liquidity reserves of cash and securities and unused bank lines of credit as a buffer just in case. - Ensure that the bank's assets and liabilities are diversified across currencies, geographic areas and business.
Operational Risk The risk of loss resulting from inadequate or failed internal processes, people, and systems, or external events	- Risk transfer through outsourcing and insurance. - Establishment of controls through policies and procedures. - Business Continuity Planning by ensuring Disaster Recovery Site is in place and all core systems are replicated at the site
Market Risk The risk of adverse movement of interest rates, foreign exchange fluctuations and or commodities prices.	- Hedging of foreign currency. - Timely evaluation and monitoring of market interest rates and prices movements.
Technology and Cyber Risk Risk of inability to manage Confidentiality of information, integrity of data, protection of physical IT assets and system availability which could results in loss of data, reputational damage and significant financial loss.	- Enhancement of modules in the core banking system. - Enhancement of the resilience of system security - Improvement of system stability.

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

15. TECHNOLOGY AND INNOVATION

The organization has gone through a phenomenal transformation in the past year, in the respective key areas mainly in its “Processes, Technology & Governance” in the effort to ensure a “healthy” environment to facilitate business growth. In July 2019 the bank laid down a “road map” for the bank’s digital transformation, which was divided into three main phases.

1. Information Gathering Phase:
This involved understanding the bank’s key pain points at the time and all the possible remediation.
2. Stabilization and Catch-Up Phase:
This entailed stabilizing the bank’s technology environment to foster business growth and catching up with the market in terms of the products the bank is offering.
3. Business Growth Phase:
To grow the business through building more “use-cases” and advanced services and the in the process creating diversified revenue streams for the bank and creating a delightful customer experience to our customers.

Phase 1 and 2 have been completed and we are now in the “Business Growth Phase” today, we are running a much stronger bank, with a stronger brand equity, better & advanced services with our profits more assured as we deliver value to our shareholders.

The 2023 strategy is a continuation of the 2021-2025 five-year plan, which is focused on the five strategic pillars, Customer Deposit Growth, Channels Optimization, Growth of our Loan Book, NFI Growth and footprint expansion.

The bank’s role is to support the business in bringing this strategy to reality by ensuring there is a technology-ready environment to foster innovations, guaranteed operational efficiency while observing controls and governance and costs, and in addition, enhancing whatever good that was previously done.

These innovative ambitions shall be achieved through the strategic initiatives already in place to strengthen the bank’s Cyber security environment and governance, continued infrastructure development, creating a conducive development environment to foster new product innovation and speed to market.

16. STAKEHOLDER RELATIONSHIP

Being a bank that is rooted to servicing the community, we are deeply connected to the society we serve. Our capacity and ability to provide services and create value is reliant on how we relate and contribute to the wellbeing of our stakeholders.

STAKEHOLDER	NEEDS AND EXPECTATIONS	HOW WE DELIVERED VALUE
Shareholders	- Sustainable growth of business - Minimised business risks - Compliance with regulatory requirements - True and fair financial reporting - Return on investment - Competent experienced management	- Maintaining a strong balance sheet to protect against downside risk. - Investing in profitable minimal risk assets and growing our client base - Investing in people sustainability
Employees	- Safe working environment - Trustworthy relationship - Fair remuneration - Talent Retention programs	- Value based reward program - Encouraging our employees to embrace digital changes and further their careers to improve our services and products
Customers	- Real time customer service support - Innovative multiple banking channels and enhanced digital products which are easily accessible. - One-on-one interactions with relationship managers and senior management for corporate and MSME segment customers.	- Provide credit in a responsible manner that enables wealth creation, sustainable development, and job creation in line with the current industrialisation initiative by the government. - Safeguarding banks’ liquidity while growing returns

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**16. STAKEHOLDER RELATIONSHIP (CONTINUED)**

STAKEHOLDER	NEEDS AND EXPECTATIONS	HOW WE DELIVERED VALUE
Customers (continued)		- Enabling financial inclusion by offering unbanked population access to affordable banking channels. - Developing innovative banking solutions that meet our customers' unique needs
Regulators	- Full compliance with regulatory requirements - Active engagement with regulatory bodies on reforms and new initiatives that help to maintain the integrity of the banking industry.	- Sustainable banking practices and regulatory compliance which is key to promoting a safe banking environment. - Active participation and engagement with regulatory bodies and policy makers.
Society	- Sustainable support on development of the community - Supporting social enterprises and promoting financial inclusion	- Providing financial education and advice - Engaging in impactful corporate social responsibility activities.

17. EMPLOYEE WELFARE**Management and employees' relationship**

The Bank has adequate number of employees with pre-requisite competency and experience in key positions to manage the banking operations as well as pursuing the business objectives. As of 31 December 2022, the number of employees were 254, of which full time employees were 231(2021: 234).

There has been a good working relationship between management and employees as well as employees and their supervisor's/line managers. Complaints are resolved through meetings and discussions. Work morale is good and there were no unresolved complaints from employees. During the year, there were no new cases referred to the Commission for Mediation and Arbitration (CMA), however there were 2 ongoing cases from 2015.

The Bank is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion, and disability which does not impair ability to discharge duties.

Training

During the year, the Bank spent TZS 52.6 million for training of its staff (2021: TZS 45.7 million). Training programs have been and are continually being developed to ensure employees are adequately trained at all levels. All employees received training to upgrade skills and enhance productivity.

Staff loans and advances

The Bank provides mortgage and personal loans to staff as well as salary advances to enable them to overcome financial needs and promote their personal development. Staff loans and advances are based on specific terms and conditions approved by the Board of Directors. During the year, the Bank issued staff loans of TZS 2.20 billion to 106 employees (2021: TZS 5.47 billion to 228 employees) and the outstanding staff loans balance at year end was TZS 5.76 billion (2021: TZS 6.71 billion).

The Bank pays medical expenses for all members of staff and their family dependents as part of the bank's policy through medical insurance arrangement.

Retirement benefits

The Bank makes contributions in respect of staff retirement benefits to statutory pension schemes namely Public Service Social Security Fund (PSSSF). The Bank's obligations in respect of these contributions are limited to 15% of the employees' monthly salary while the employee contributes 5% making a total of 20% contribution as per The Public Service Social Security Fund Act, 2018. Total contribution of TZS 1.20 billion in year 2022 (2021: TZS 1.22 billion).

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**18. GENDER PARITY**

The Bank is an equal opportunity employer. As at 31 December 2022, the Bank had the following distribution of employees by gender.

Gender	2022	%	2021	%
Female	138	54%	154	56.0
Male	116	46%	121	44.0
Total	254	100	275	100

19. RELATED PARTY TRANSACTIONS

All related party transactions and balances are disclosed in Note 37 to these financial statements.

20. POLITICAL AND CHARITABLE DONATIONS

The Bank did not make any political donations during the year. The Bank participates actively in community activities and development programs; contribution through corporate social responsibility for the year ended 31 December 2022 reached TZS 2.3 million (2021: TZS 30 million) and the amount was directed to Magomeni Police Station to fund furniture and printers.

21. AUDITOR

The auditors, PricewaterhouseCoopers have expressed their willingness to continue in office. A resolution proposing the appointment of an auditor of the Bank for the financial year 2023 will be tabled at the Annual General Meeting.

22. RESPONSIBILITY OF THOSE CHARGED WITH GOVERNANCE

The members charged with governance accept responsibility for preparing these financial statements which show a true and fair view of the Company to the date of approval of the audited financial statements, in accordance with the applicable standards, rules, regulations, and legal provisions. The members also confirm compliance with the provisions of the requirements of TFRS 1 and all other statutory legislations relevant to the Bank.

BY ORDER OF THE BOARD


Ms. Zawadia J. Nanyaro

Chairperson



Ms. Pamela Nchimbi

Board Member

30 May 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2022

The Companies Act, No.12 of 2002 requires Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of the profit or loss for the year. It also requires the Directors to ensure that the Bank and its subsidiary keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank and hence taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, No.12 of 2002.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its financial performance in accordance with International Financial Reporting Standards (IFRS). The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Signed on behalf of the Board of Directors by:



Ms. Zawadia J. Nanyaro

Chairperson

30 May 2023



Ms. Pamela Nchimbi

Board Member

30 May 2023

DECLARATION OF THE CHIEF MANAGER FINANCE FOR THE YEAR ENDED 31 DECEMBER 2022

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Chief Financial Officer responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing a true and fair view of the entity's financial position and performance in accordance with applicable International Financial Reporting Standards (IFRS) and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors' as per the Statement of Directors' Responsibility on page 21.

I, Deusdedith Edward Mulindwa, being the Chief Manager Finance of DCB Commercial Bank Plc hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2022 have been prepared in compliance with the International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, No.12 of 2002 and Banking and Financial Institutions Act (BFIA), 2006 and its regulations.

I thus confirm that the financial statements give a true and fair view of the financial performance of DCB Commercial Bank Plc for the year ended on 31 December 2022 and its financial position as on that date and that they have been prepared based on properly maintained financial records.



Deusdedith Edward Mulindwa

Chief Manager, Finance

NBAA Membership No.:ACPA 3834

30 May 2023

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DCB COMMERCIAL BANK PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OUR OPINION

In our opinion, the financial statements give a true and fair view of the financial position of DCB Commercial Bank Plc (the Company) as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, No. 12 of 2002.

What we have audited

The financial statements of DCB Commercial Bank Plc as set out on pages 27 to 107 comprise:

- statement of financial position as at 31 December 2022;
- statement of comprehensive income for the year then ended;
- statement of changes in equity for the year then ended;
- statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the National Board of Accountants and Auditors (NBAA) that are relevant to our audit of the financial statements in Tanzania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the NBAA.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the Company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DCB COMMERCIAL BANK PLC (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

KEY AUDIT MATTERS (CONTINUED)

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<u>Impairment of loans and advances to customers</u> Management exercises judgement when determining both when and how much to record as loan impairment provisions. Judgement is applied to determine the appropriate parameters and assumptions used to estimate the provisions in the following areas: - Quantitative and qualitative criteria for classification of loans and advances based on assessment of factors contributing to significant increase in credit risk and default; - Determination of the probability of defaults (both 12 months and lifetime); - Determination of the forward-looking parameters to be incorporated in the estimation of expected credit losses; and - Estimation of the expected cash flows (including from collateral realization) used in the determination of the loss given default. These judgements together with the value of gross loans and advances to customers (TZS 130,362 million) and impairment provision (TZS 9,518 million) make this a key audit matter. Further detail on loans and advances have been disclosed in Note 4 (d), Note 5 (a), Note 6.1 and Note 23 of the financial statements.	- We tested the reasonableness of the quantitative and qualitative criteria used in the classification of loans and advances. - As the quantitative basis of classification of loans and advances is reliant on information systems, we understood and tested key information technology general and application controls including the accurate calculation of the number of days past due. - We tested management's application of the qualitative criteria in classification of loans and advances. - We tested the reliability of information used for estimating probability of default and loss given default. - We tested the reasonability of the forward-looking parameters considered by management. - We challenged management's basis for establishing the correlation between forward looking parameters and the bank's non-performing loan trends. - We agreed the collateral values used in the impairment model to valuation reports. - We challenged management assumptions regarding recovery periods used to estimate the recoverable amount of collateral for secured facilities. - We tested the adequacy of financial statements disclosures.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises Corporate Information, List of Abbreviations, Report by those charged with governance, Statement of Directors' responsibilities and Declaration of the Chief Manager Finance (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and other information that will be included in the Annual Report which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DCB COMMERCIAL BANK PLC (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

OTHER INFORMATION (CONTINUED)

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information that will be included in the Annual Report which will be made available to us after the date of this auditor's report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act, No. 12 of 2002, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DCB COMMERCIAL BANK PLC (CONTINUED)
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)*AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)*

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, action taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE OTHER LEGAL AND REGULATORY REQUIREMENTS

This report, including the opinion, has been prepared for, and only for, the company's members as a body in accordance with the Companies Act, No. 12 of 2002 and for no other purposes.

As required by the Companies Act, No. 12 of 2002 we are also required to report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if the financial statements are not in agreement with the accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed. In respect of the foregoing requirements, we have no matter to report.



Patrick Kiambi (TACPA-PP)

For and on behalf of PricewaterhouseCoopers

Certified Public Accountants

Dar es Salaam

Date: 31 May 2023

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	2022 TZS'000	2021 TZS'000 RESTATED
Interest and similar income	8	28,607,305	27,617,664
Interest and similar expense	9	(13,380,278)	(11,464,293)
Net interest income		15,227,027	16,153,371
Credit impairment losses and write-offs	23	(3,874,865)	(6,503,867)
Net interest income after loan impairment		11,352,162	9,649,504
Fees and commission income	10	5,751,715	4,826,434
Foreign exchange income	11	386,107	280,258
Other operating income	12	4,144,391	1,783,505
Total non-interest income		10,282,213	6,890,197
Total operating income		21,634,375	16,539,701
Operating expenses			
Staff expenses	13	(9,993,648)	(9,765,285)
General administrative expenses	14	(8,052,221)	(6,435,238)
Depreciation and amortization expenses	15	(2,621,158)	(2,524,021)
Total operating expenses		(20,667,027)	(18,724,544)
Profit before income tax		967,348	(2,184,843)
Income tax (charge)/ credit	19	(219,645)	540,783
Profit for the year		747,703	(1,644,060)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i> Fair value gain on FVOCI debt instrument net of tax		142,542	(163,681)
Total comprehensive income for the year		890,245	(1,807,741)
Earnings per share (basic and diluted)	34	7.66	(16.84)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022**

		2022	2021	2020
	NOTES	TZS'000	TZS'000 RESTATED	TZS'000 RESTATED
Assets				
Cash and balances with the Bank of Tanzania	20	19,005,746	20,053,560	13,423,746
Government securities – FVOCI	22	27,639,102	-	9,619,053
Government securities – Amortized cost	22	13,663,360	28,616,539	24,089,738
Equity investment at FVOCI	24	2,040,200	2,040,200	1,823,200
Balances due from other banks	21	3,963,844	2,286,048	3,179,930
Loans and advances to customers	23	120,847,669	114,715,813	98,065,854
Corporation tax recoverable	28	2,095,060	2,085,029	1,939,384
Deferred income tax asset	30	5,210,033	5,206,655	4,423,025
Other assets	27	3,230,825	2,187,779	1,886,105
Right of use asset	36(i)	5,494,196	6,305,536	6,079,087
Property and Equipment	25	3,646,824	3,845,700	3,323,646
Intangible assets	26	5,067,216	5,110,821	5,031,472
Total assets		211,904,075	192,453,680	172,884,240
Liabilities				
Due to other banks	29.a	23,934,235	24,749,752	27,513,654
Deposits from customers	29.b	141,941,494	125,291,419	99,503,846
Borrowings	31	11,900,791	8,426,352	10,920,248
Other liabilities	32	2,774,670	2,860,555	2,387,123
Lease liabilities	36(ii)	2,883,633	3,546,595	3,172,621
Total liabilities		183,434,823	164,874,673	143,497,492
Equity				
Share capital	33	24,061,904	24,061,904	22,741,149
Share premium		4,183,291	4,183,291	4,104,046
Advance toward share capital		-	-	1,400,000
Retained earnings		(3,792,602)	(4,751,930)	(2,445,525)
Regulatory banking risk reserve		3,395,177	3,606,802	2,944,457
Fair valuation reserve		621,482	478,940	642,621
Total equity		28,469,252	27,579,007	29,386,748
Total liabilities and equity		211,904,075	192,453,680	172,884,240

The financial statements on pages 72 to 153 were approved and authorized for issue by the board of directors on 31 May 2023 and signed on its behalf by:

Ms. Zawadia J. Nanyaro
Chairperson

Ms. Pamela Nchimbi
Board Member

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2022	NOTE	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	**REGULATORY BANKING RISK RESERVE	FAIR VALUATION RESERVE	TOTAL EQUITY
		TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
At 1 January 2022							
As previously stated		24,061,904	4,183,291	(229,900)	1,755,178	4,78,940	30,249,413
Prior year adjustment	40	-	-	(4,522,030)	1,851,624	-	(2,670,406)
As restated		24,061,904	4,183,291	(4,751,930)	3,606,802	4,78,940	27,579,007
Profit for the year		-	-	747,703	-	-	747,703
Fair value gain on FVOCI debt instrument		-	-	-	-	203,631	203,631
Deferred tax on fair value gain		-	-	-	-	(61,089)	(61,089)
Total comprehensive income		-	-	747,703	-	142,542	890,245
Transfer to/(from)regulatory risk reserve**		-	-	211,625	(211,625)	-	-
Dividend paid		-	-	-	-	-	-
Advance toward share capital		-	-	-	-	-	-
At 31 December 2022		24,061,904	4,183,291	(3,792,602)	3,395,177	621,482	28,469,252

**Regulatory Banking Risk Reserve represents an amount set aside to cover additional provision for loan losses required to comply with the requirements of the Bank of Tanzania prudential guidelines. This reserve is not available for distribution.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

YEAR ENDED 31 DECEMBER 2021	NOTE	SHARE CAPITAL	SHARE PREMIUM	ADVANCE TOWARD SHARE CAPITAL	ACCUMULATED LOSSES	**REGULATORY BANKING RISK RESERVE	FAIR VALUATION RESERVE	TOTAL EQUITY
		TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
At 1 January 2021								
As previously stated		22,741,149	4,104,046	1,400,000	(2,217,315)	2,944,457	642,621	29,614,958
Prior year adjustment	40	-	-	-	(228,210)	-	-	(228,210)
As restated		22,741,149	4,104,046	1,400,000	(2,445,525)	2,944,457	642,621	29,386,748
Profit/(Loss) for the year								
As previously stated		-	-	-	798,136	-	-	798,136
Prior year adjustment	40	-	-	-	(2,442,196)	-	-	(2,442,196)
As restated		-	-	-	(1,644,060)	-	-	(1,644,060)
Fair value gain on FVOCI debt instrument		-	-	-	-	-	(93,532)	(93,532)
Deferred tax on fair value gain		-	-	-	-	-	(70,149)	(70,149)
Total comprehensive income		-	-	-	(1,644,060)	-	(163,681)	(1,807,741)
Transfer to /(from) regulatory risk reserve								
As previously stated		-	-	-	1,189,279	(1,189,279)	-	-
Prior year adjustment	40	-	-	-	(1,851,624)	1,851,624	-	-
As restated		-	-	-	(662,345)	662,345	-	-
Dividends paid		-	-	-	-	-	-	-
Advance toward share capital		1,320,755	79,245	(1,400,000)	-	-	-	-
At 31 December 2021		24,061,904	4,183,291	-	(4,751,930)	3,606,802	478,940	27,579,007

**Regulatory Banking Risk Reserve represents an amount set aside to cover additional provision for loan losses required in order to comply with the requirements of the Bank of Tanzania prudential guidelines. This reserve is not available for distribution.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
STATEMENT OF CHANGES IN EQUITY (CONTINUED)

YEAR ENDED 31 DECEMBER 2020	NOTE	SHARE CAPITAL	SHARE PREMIUM	ADVANCE TOWARD SHARE CAPITAL	ACCUMULATED LOSSES	**REGULATORY BANKING RISK RESERVE	FAIR VALUATION RESERVE	TOTAL EQUITY
		TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
At 1 January 2020								
As previously stated		22,741,149	4,104,046	750,000	(580,333)	1,354,169	478,940	28,847,971
Prior year adjustment	40	-	-	-	(144,473)	-	-	(144,473)
As restated		22,741,149	4,104,046	750,000	(724,806)	1,354,169	478,940	28,703,498
Profit/(Loss) for the year								
As previously stated		-	-	-	453,306	-	-	453,306
Prior year adjustment	40	-	-	-	(83,737)	-	-	(83,737)
As restated		-	-	-	369,569	-	-	369,569
Fair value gain on FVOCI debt instrument		-	-	-	-	-	233,830	233,830
Deferred tax on fair value gain		-	-	-	-	-	(70,149)	(70,149)
Total comprehensive income		-	-	-	369,569	-	163,681	533,250
Transfer to/(from) regulatory risk reserve		-	-	-	1,590,288	1,590,288	-	-
Dividends paid		-	-	-	(500,000)	-	-	(500,000)
Advance toward share capital		-	-	650,000	-	-	-	650,000
At 31 December 2020		22,741,149	4,104,046	1,400,000	(2,445,525)	2,944,457	642,621	29,386,748

**Regulatory Banking Risk Reserve represents an amount set aside to cover additional provision for loan losses required in order to comply with the requirements of the Bank of Tanzania prudential guidelines. This reserve is not available for distribution.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

STATEMENT OF CASH FLOWS

		2022	2021
		TZS'000	TZS'000
	Note		RESTATED
Cash flows from operating activities			
Profit/(Loss) before income tax		967,348	(2,184,843)
Adjusted for:			
Depreciation and amortization	25, 26, 36(i)	2,621,159	2,523,993
Interest expense on borrowings	31	929,893	833,544
Dividend received		(27,314)	(34,779)
Finance cost on Lease liability	36(ii)	242,244	277,493
Other movements		236,078	(229,716)
Exchange (gain)/loss in cash and cash equivalent		5,314	(32,442)
Write off of fixed assets	25	-	140,548
		4,974,722	1,293,798
Changes in operating assets and liabilities:			
Change in statutory minimum reserve		(1,155,781)	(1,475,233)
Change in loans and advances to customers		(6,131,856)	(16,649,959)
Change in other assets		(1,043,046)	(301,674)
Change in deposits from banks		(815,517)	(2,763,902)
Change in deposits from customers		16,650,075	25,787,573
Change in other liabilities		(21,137)	473,432
Change in government securities		(12,685,923)	5,092,252
Cash (used in) / generated from operations		(228,463)	11,456,287
Income tax paid		(297,022)	(318,343)
Net cash (used in) / generated from operating activities		(525,485)	11,137,944
Cash flows from investing activities			
Purchase of property and equipment	25	(767,027)	(1,549,672)
Purchases of intangible assets	26	(783,114)	(826,310)
Purchases of right of use assets	36(ii)	(34,018)	(86,628)
Investment in shares		-	(217,000)
Dividend received		27,314	34,779
Net cash used in investing activities		(1,556,845)	(2,644,831)
Cash flows from financing activities			
Dividends paid		(64,748)	-
Proceeds from borrowing	31	4,000,000	-
Lease payment-principal	36(ii)	(675,709)	(655,810)
Lease payment-interest	36(ii)	(242,244)	(277,493)
Principal repayments of borrowings	31	(609,301)	(2,425,651)
Interest repayments of borrowings	31	(846,153)	(901,789)
Net cash generated from / (used in) financing activities		1,561,845	(4,260,743)
(Decrease)/Increase in cash and cash equivalents		(520,485)	4,232,370
Cash and cash equivalents at the beginning of the year		13,775,660	9,510,848
Exchange gain/(loss) in cash and cash equivalent		(5,314)	32,442
Cash and cash equivalents at the end of the year	35	13,249,861	13,775,660

*Where deemed appropriate, classification for comparative numbers has been adjusted to align with current year's presentation. Refer to further details in note 4(r).

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. GENERAL INFORMATION

DCB Commercial Bank Plc is a Public Limited Company and is incorporated and domiciled in the United Republic of Tanzania. The Bank is listed on the Dar es Salaam Stock Exchange (DSE). The address of its registered office and principal place of business are disclosed in the corporate information on page 1 of this report. The principal activities of the Bank are described in the report of the Directors.

2. BASIS OF PREPARATION

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

The Bank's financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2002; the Banking and Financial Institutions Act, 2006 and National Board of Accountants and Auditors Technical Pronouncements.

The financial statements comprise the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the notes. The measurement basis applied in the preparation of these financial statements is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Tanzania shillings (TZS).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgement in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The Directors believe that the underlying assumptions are appropriate and that the Bank's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

3. CHANGES IN ACCOUNTING POLICIES

i) New and amended standards adopted by the Bank

NUMBER	EFFECTIVE DATE	EXECUTIVE SUMMARY
IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment	Annual periods beginning on or after 1 April 2021 (early adoption is permitted) (Published March 2021)	The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The March 2021 amendment will only be available if an entity chose to apply the May 2020 optional practical expedient.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

i) New and amended standards adopted by the Bank (continued)

NUMBER	EFFECTIVE DATE	EXECUTIVE SUMMARY
Annual improvements cycle 2018 -2020	Annual periods beginning on or after 1 January 2022 (Published May 2020)	These amendments include minor changes to: - IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS. - IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation. - IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives. - IAS 41, 'Agriculture' has been amended to align the requirements for measuring fair value with those of IFRS 13. The amendment removes the requirement for entities to exclude cash flows for taxation when measuring fair value.
Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfill the contract. The amendment clarifies the meaning of 'costs to fulfill a contract'. Under the amendment, costs to fulfill a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

i) New and amended standards adopted by the Bank (continued)

NUMBER	EFFECTIVE DATE	EXECUTIVE SUMMARY
Amendment to IFRS 3, 'Business combinations'	Annual periods beginning on or after 1 January 2022	The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination.
Asset or liability in a business combination clarity	(Published May 2020)	In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework. The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

ii) New and revised standards and interpretation which have been issued but are not effective.

Certain new accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Bank. The Bank's assessment of the impact of these new standards and interpretations is set out below:

NUMBER	EFFECTIVE DATE	EXECUTIVE SUMMARY
IFRS 17, 'Insurance contracts'	Annual periods beginning on or after 1 January 2023	The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.
	Early application is permitted for entities that apply IFRS 9, 'Financial Instruments', and IFRS 15, 'Revenue from Contracts with Customers', at or before the date of initial application of IFRS 17.	Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.
	(Published May 2017)	Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

ii) New and revised standards and interpretation which have been issued but are not effective (continued)

NUMBER	EFFECTIVE DATE	EXECUTIVE SUMMARY
IFRS 17, Insurance contracts Amendments	Annual periods beginning on or after 1 January 2023 (Published June 2020)	In response to some of the concerns and challenges raised, the Board developed targeted amendments and a number of proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard or unduly disrupt implementation already underway.
Amendment to IAS 1, 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2023 (Published Jan 2020)	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. A number of requirements are required to be met in conjunction with this amendment.
Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Annual periods beginning on or after 1 January 2023. Earlier application is permitted. (Published May 2021)	The amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	Annual periods beginning on or after 1 January 2023. Earlier application is permitted. (Published February 2021)	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below.

(a) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Tanzania shillings (TZS), rounded to the nearest thousands, which is the Bank's functional currency.

(ii) Transactions and balances

Transactions in foreign currencies during the year are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currency are translated with the closing rate as at the end of the reporting period. Non-monetary items measured at historical cost denominated in a foreign currency are translated at the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Transactions and balances (continued)

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

(b) Interest income and expense

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- i) Purchased or originated credit-impaired (POCI) financial assets, for which the original credit – adjusted effective is applied to the amortised cost of the financial asset.
- ii) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or stage 3), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

(c) Fee and commission income and expense

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Bank does not designate loan commitments as financial liabilities at fair value through profit or loss.

Fees and commission are generally recognized on an accrual basis when the service has been provided. Commitment fees for loans that are likely to be drawn down are deferred and recognized as an adjustment to the effective interest rate on the loan. Commissions and fees arising from various services offered by the Bank are recognized upon completion of underlying transaction on which the bank will have satisfied the performance obligation.

(d) Financial assets and financial liabilities

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instruments. Regular way purchases and sales of financial assets are recognised on trade – date on which the Bank commits to purchase or sell the asset.

At initial recognition, the Bank measure a financial asset or financial liability at its fair value plus or minus in the case of a financial asset or financial liability not a fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debts instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

- (i) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- (ii) In all other cases, the difference is deferred, and the timing or recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****d) Financial assets and financial liabilities (continued)****Financial Assets****(i) Classification and subsequent measurement**

The Bank classifies its financial assets in accordance to IFRS 9 and in the following measurement categories:

- Fair Value through other comprehensive income (FVOCI); or
- Amortised cost.

Classification and subsequent measurement of debt instruments depend on:

- (i) The Bank's business model for managing the asset; and
- (ii) The cash flow characteristics of the asset.

(i) Classification and subsequent measurement

Based on these factors, the Bank classifies its debt instruments into one of the following three categories:

- Amortised cost: Assets that are held for collection for contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 6. Interest income from these financial assets is included in 'Interest and similar income' using effective interest rate method. Loans and advances to customers, financial assets held to collect (such as government securities), cash and balances with BOT, placement with other banks and other assets fall under this classification.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principals and interest, and that are not designated at FVPL, re measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit and loss. When the financial asset is derecognised in 'Net Investment income'. Interest income from these financial assets is included in 'interest income' using the effective interest rate method.

Business model: the business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of the assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model for a Bank of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Another example is the liquidity portfolio of assets, which is held by the Bank as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purposes of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of Short-term profit taking. These securities are classified in the 'other' business model and measured at FVOCI

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments or principals and interest (the SPPI test). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposures to risk or volatility that are inconsistent with a basic lending arrangement, the related financial assets are classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principals and interest.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial assets and financial liabilities (continued)

Financial Assets (continued)

(i) Classification and subsequent measurement (continued)

The Bank reclassifies debts investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent, and none occurred during the period.

(ii) Impairment

The Bank assesses on a forward -looking basis the expected credit losses ('ECL') associated with its debt instruments assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability - weighted amount that is determined by evaluating a range of possible outcomes.
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or efforts at the reporting date about past events, current conditions and forecast of future economic conditions.

(iii) Modification of loans

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assess whether the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantially new terms are introduced, such as a profit share/equity- based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant changes in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affects the credit risk associated with the loan.

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of the initial recognition for impairment calculation purposes, including for the purposes of determining whether a significant increase in credit risk has occurred. However, the Bank also assessed whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as gains or loss on derecognition. If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

(iv) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Bank transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****d) Financial assets and financial liabilities (continued)****Financial Assets (continued)****(iv) Derecognition other than on a modification (continued)**

The Bank enters transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards.

These transactions are accounted for as 'pass through' transfers that result in derecognition if the Bank:

- i) Has no obligation to make payments unless it collects equivalent amounts from the assets.
- ii) Is prohibited from selling or pledging the assets; and
- iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Bank under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Bank retains a subordinated residual interest.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Example of equity instruments include basic ordinary shares.

The Bank subsequently measures all equity investments at fair value through profit or loss, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive Income. The Bank's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Bank's right to receive payments is established. Gains and losses on equity investments at FVPL are included in the 'Net trading income' line in the statement of profit or loss.

Financial Liabilities**(i) Classification and subsequent measurement**

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to Changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial assets and financial liabilities (continued)

Financial Liabilities (continued)

(i) Classification and subsequent measurement (continued)

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Bank recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments
- Lease liabilities: Financial obligations to make payments arising from a lease, measured on a discounted basis. Lease liability is calculated using the present value of the lease payments over the lease term discounted, typically, using the lessee's incremental borrowing rate.

(ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specific payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions, and others on behalf of customers to secure loans, overdraft and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Bank are measured as the amount of the loss allowance. The Bank has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****d) Financial assets and financial liabilities (continued)****Financial Liabilities (continued)****Financial guarantee contracts and loan commitments (continued)**

However, for contracts that include both a loan and an undrawn commitment and the Bank cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as provision.

(e) Income tax

Income tax expense is the aggregate of the charge to the statement of profit or loss comprehensive income in respect of current income tax and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the period determined in accordance with the Tanzanian Income Tax Act.

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit/loss, it is tax not accounted for.

Deferred income tax is determined using rates and laws that have been enacted or substantively enacted at the end of reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

(f) Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(g) Property and equipment

Property and equipment are stated at cost, less accumulated depreciation, and any accumulated impairment in value. Depreciation is calculated on the straight-line basis at annual rates estimated to write down the carrying values of the assets to their residual value over their expected useful lives. The annual rates in use are:

	YEAR 2022	YEAR 2021
Office machinery and equipment	20.0%	20.0%
Furniture, fixtures, and fittings	20.0%	20.0%
Computers and IT equipment	25.0%	25.0%
Generator	12.5%	12.5%
Motor vehicles	25.0%	25.0%
Leasehold improvements	10.0%	10.0%

The assets residual values and useful lives are reviewed and adjusted, if appropriate, at the end of the reporting period. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases-Lease liability and right of use Asset

The Bank leases office space in various parts of the region. Rental contracts are typically made for fixed periods of 5 to 10 years but may have extension options. Lease terms are negotiated on an individual basis, but lease agreements do not impose any covenants, and leased assets may not be used as security for borrowing purposes.

Contracts may contain both lease and non-lease components. The Bank allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Bank is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank. Each lease payment is allocated between the liability and finance cost.

The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

For measurement of the lease liabilities, the lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Bank, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Bank:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by DCB Bank, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability.
- any lease payment made at or before the commencement date less any lease incentive received
- any initial direct costs and or restoration costs

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Extension and termination options are included in several property leases contracts. These terms are used to maximize operational flexibility in terms of managing contracts.

(i) Intangible assets

Acquired computer software licenses are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets are amortized over the useful economic life of 10 years.

(j) Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprises cash on hand, deposits held at call with Banks and investments in money market instruments with maturity periods of three months. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and all cash equivalent items original maturing within 90 days from the date of acquisition including non-restricted balances with the Bank of Tanzania, treasury bills, loans and advances to other banks, amounts due from other Banks and short-term investment securities. Cash and cash equivalents exclude the cash reserve requirement held with the Bank of Tanzania. Interest income and expense other than from borrowings is considered as cash from operating activities. Interest expense on borrowings is treated cash from financing activities.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(k) Employees' benefits**

Short-term employment benefits such as salaries, social security contributions, and leave fare assistance are recognized in profit or loss when they fall due.

(i) Post retirement benefits

The Bank operates a defined contribution plan whereby each of its employees and the Bank contribute %5 and %15 respectively, of the employees' monthly salaries to the Managed Statutory Fund, namely the Public Service Social Security Fund (PSSSF). The Bank has no further commitments or obligations to the Funds, and it has no other post-retirement benefit scheme. The contributions are charged to profit or loss in the year to which they relate.

(ii) Other employee benefits

The Bank provides free medical treatment to staff and their eligible dependents. The cost is charged to profit or loss. The estimated monetary liability for employees' accrued leave entitlement at the statement of financial position date is recognized as an expense accrual.

(l) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(m) Share capital

The Bank has only one class of ordinary shares which is classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

Dividends on shares

Dividend payable is recognized as liability in the period in which it is declared. Proposed dividends are disclosed as a separate component of equity. Before recommending any dividend, the Board of Directors may set aside out of the profits of the Bank, such sums as they think proper, to a reserve fund or reserve account, which shall at the discretion of the Board, be applicable for any purpose for which the profits of the Bank may lawfully be applied. Whenever dividend is declared, the amount shall not exceed 50% of the annual profit after tax.

(n) Statutory credit risk reserve

The statutory credit risk reserve includes the amount by which the Central bank of Tanzania requires in addition to the IFRS impairment provision. Changes in this reserve are accounted for as transfers to and from retained earnings as appropriate.

(o) Fair valuation reserve

The fair valuation reserve includes the fair value gains (losses) on financial instruments held at FVOCI net of deferred tax asset (liability) on the same.

(p) Earnings per share

The Bank presents basic and diluted earnings per share (EPS) in the consolidated and Bank financial statements. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of shares outstanding for the effects of all dilutive potential ordinary shares.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Segment reporting

The Bank has the following operating segments: Treasury, Retail Banking and other. Following the management approach to IFRS 8, operating segments are reported in a manner consistent with the internal reporting to the Bank's management team, which is responsible for allocating resources to the reportable segments and assessing their performances. All operating segments used by the Bank meet the definition of a reportable segment under IFRS 8.

(r) Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Where deemed appropriate, classification for the comparative numbers has been adjusted to align with current year's presentation.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Bank's accounting policies.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

a) Measurement of the expected credit loss allowance

The Bank measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g., the likelihood of customers defaulting and the resulting losses). The Bank uses several significant judgements in applying the accounting requirements for measuring ECL, such as:

- Determination criteria for significant increase in credit risk.
 - Establishing the number and relative weightings of forward-looking scenarios for each type of product market and the associated ECL; and
 - Estimating Probability of default, Exposure at Default and Loss Given Default
- Detailed information about the judgement and estimates made by the Bank are explained under note 6.1.
- Sensitivity of probably weightings and macros analysis for expected credit losses per segment has been done under note 6.1.3.4.

b) Useful lives of Property and equipment, leased premises refurbishments and intangible assets

Critical estimates are made by the Directors in determining the useful lives of property and equipment, leased premises refurbishment and intangible assets as well as their residual values.

c) Taxes

The Bank is subjected to several taxes and levies by various government and quasi- government regulatory bodies. As a rule of thumb, the Bank recognizes liabilities for the anticipated tax /levies payable with utmost care and diligence.

However, significant judgment is usually required in the interpretation and applicability of those taxes /levies. Should it come to the attention of management, in one way or the other, that the initially recorded liability was erroneous, such differences will impact on the income and liabilities in the period in which such differences are determined.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)****c) Taxes (Continued)**

The recognition of deferred tax asset relies on an assessment of the probability and sufficiency of future taxable profit, future reversals of existing taxable temporary differences and ongoing tax planning and strategies. The deferred tax recognized in the Bank's statement of financial position as of 31 December 2022 was TZS 5.2 billion (2021: TZS 5.2 billion). The judgment takes into consideration the effect of both positive and negative evidence, including historical financial performance, projections of future taxable income and future reversals of existing taxable temporary differences.

d) Provisions and Contingent liabilities

The Bank has contingent liabilities arising out of pending legal cases. Professional expert advice is taken on establishing litigation provisions. Provisions for legal proceedings and regulatory matters typically require a higher degree of judgements than other types of provisions. When cases are at an early stage, accounting judgements can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists because of a past event, estimating the probability of outflows and making estimates of the amount of any outflows that may arise.

As matters progress through various stages of the cases, Management together with legal advisers evaluate on an ongoing basis whether provisions should be recognized, and the estimated amounts of any such provisions, revising previous judgements and estimates as appropriate. At the year-end not legal cases that amount for recognition.

e) Leases

For the leases of office space, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Bank is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Bank is typically reasonably certain to extend (or not terminate).
- Otherwise, the Bank considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset. Most extension options in offices and vehicles leases have not been included in the lease liability, because the Bank could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is exercised (or not exercised) or the Bank becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

In applying IFRS 16 the Bank has used the following permitted practical expedients:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics for which TZS leases rate use is 11 percent and USD leases rate use is 4 percent.
- the accounting for operating leases with a lease term of less than 12 months and lease of low value.
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- The use of hindsight in determining the leases term where the contract contains options to extend or terminate the lease.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK MANAGEMENT

The Bank's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Bank's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance. The Bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

The Bank's risk management policies are established to identify and analyses the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign-exchange risk, interest-rate risk, credit risk, and liquidity risk. Risk management is carried out by the Risk and Compliance Department under policies approved by the Board of Directors. The risk and compliance department evaluate financial risk in close co-operation with the operating units.

6.1. Credit risk

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss to the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business. Management, therefore, carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Bank's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The credit risk management and control are centralized in the credit risk management team of the Bank and reported to the Board of Directors and heads of department regularly.

Loans and advances (including loan commitments and guarantees)

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank uses general approach in measuring credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) by taking into consideration -12month credit loss unless significant increase in credit risk occurs then lifetime credit loss is measured. This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9.

Risk portfolios

The segmentation into risk portfolios is based on Bank's segments at industry and product levels. For impairment assessment, the Bank's total exposures are segmented along product lines. The Bank is of the opinion that these segmentations share similar credit risk characteristics and can be monitored collectively for credit risk. These segments are:

- Corporate and SME Loans
- Housing and Mortgage loans
- Salaried loans
- Microfinance (SGL) loans

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**6. FINANCIAL RISK MANAGEMENT (CONTINUED)****6.1 Credit risk (continued)****6.1.1 Credit risk measurement**

The Bank uses internal credit risk grading that reflects its assessment of the probability of default of individual counterparties. The Bank use internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data applied in forward looking scenarios. In addition, the models enable expert judgement from the Credit Risk Officer to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

Each risk portfolio is further divided into risk groups based on:

- Days Past Due (DPD) intervals (applicable only for non-defaulted exposures and defaulted exposures),
- Internal client rating.

On the default identification approach, days past due (DPD) are examined at the transaction for retail portfolio and at the client level for corporate where the following conditions are considered:

- DPD at the transaction level is counted from the date, on which any part of the exposure becomes due, regardless of the amount of due exposure.
- DPD at the client level is the maximum DPD out of all exposures to the client.

The bank segment of Risk Groups (RGs) by categories in the ECL model is as shown below:

	SALARIED, CORPORATE AND SME, HOUSING AND MORTGAGE LOANS	MICROFINANCE (SGL)
RISK GROUP	NUMBER OF DAYS PAST DUE	NUMBER OF DAYS PAST DUE
Risk Group 1 (RG1)	Not due	Not due
Risk Group 2 (RG2)	1-30 days	1-5 days
Risk Group 3 (RG3)	31 - 60 days	6-15 days
Risk Group 4 (RG4)	61-90 days	16 - 30 days
Default Risk Group (RG5)	Above 90 days	Above 30 days

Exposure at Default for term loans is estimated as contractual rundown on the loans. For the off-balance sheet items, the exposure at default is estimated by determining a credit conversion factor (CCF).

For regulatory purposes and for internal monitoring of the quality of the loan portfolio, all the customers are segmented into five rating classes as shown below:

BANK'S RATING	RISK GROUP	DESCRIPTION OF THE GRADE
1	RG1	Current
2	RG2	Current
3	RG3	Especially mentioned
4	RG4	Especially mentioned
5	RG5	Sub-standard, Doubtful and Loss

Treasury products

For debt securities in the treasury portfolio, balances with central bank, balances due from other banks and other assets, external credit rating agency's grades are used. These published grades are continuously monitored and updated. The PD's associated with each grade are determined based on realized default rates over the prior 12 months, as published by the rating agency.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.2 Risk limit control and mitigation policies

The Bank manages limits and controls concentrations of credit risk wherever they are identified. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to group of borrowers.

The Board has delegated responsibility for the management of credit risk to the Board Audit and Risk Compliance Committee responsible for overseeing of the Bank's credit risk including:

- Formulating credit policies, covering collateral requirements, credit assessment, risk grading, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorization structure of the approval and renewal of the credit facilities. Authorization limits are allocated to various officers at different levels. Larger facilities require approval by Board of Directors.
- Reviewing and assessing credit risk. Credit department assesses all credit exposures prior to facilities being committed to customers concerned. Renewals and reviews of facilities are subject to the same review process.
- Reviewing compliance of business units with agreed exposure limits. Regular reports are provided to Board through Board Audit and Compliance Committee in respect of the quality of loan portfolio; and
- Providing advice, guidance and specialist skills to business units to promote best practice in the management of credit risk.

Regular audits of credit department processes are undertaken by internal audit department. The internal rating scale assists Directors to determine whether there is significant increase in credit risk, based on the following criteria set out by the Bank:

- Delinquency in contractual payments of principal or interest.
- Cash flow difficulties experienced by the borrower.
- Breach of loan covenants or conditions; and
- Deterioration in the value of collateral.

The Bank's policy requires the review of individual financial assets regularly and monitoring is on weekly basis for SGL product and other portfolio on monthly basis. Microfinances have cash covers of not less than 30% before loan initial recognition, most salaried loan are unsecured, and rest of the segments are secured by;

- Mortgages over properties
- Charges over business assets such as inventory and accounts receivable
- Charges over financial instruments such as debt securities and equities and
- Cash Covers

Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit - which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions - are collateralized by the underlying shipments of goods to which they relate.

Undrawn commitments represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on undrawn commitments, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most undrawn commitments are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**6. FINANCIAL RISK MANAGEMENT (CONTINUED)****6.1 Credit risk (continued)****6.1.3 Expected credit loss measurement**

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired. Refer to note 6.1.3.1 for a description of how the Bank determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 6.1.3.2 for a description of how the Bank defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 6.1.3.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 6.1.3.4 includes an explanation of how the Bank has incorporated this in its ECL models.

Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition; their ECL is always measured on a lifetime basis (Stage 3).

Further explanation is also provided of how the Bank determines appropriate groupings when ECL is measured on a collective basis (refer to note 6.1.3.5).

The following diagram summarizes the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition		
Stage 1	Stage 2	Stage 3
Initial recognition	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12 month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

6.1.3.1: Significant increase in credit risk (SICR)

The Bank decision on whether expected credit losses are based on 12-month expected credit losses or lifetime expected credit losses depends on whether there has been a significant increase in credit risk since initial recognition. An assessment of whether credit risk has increased significantly is made at each reporting date. When making the assessment, the Bank uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. This forms the basis of stage 2, 1 and 3 classification and subsequent migration.

The Bank applies qualitative and quantitative criteria for stage classification and for its forward and backward migration.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.3 Expected credit loss measurement

6.1.3.1: Significant increase in credit risk (SICR) (continued)

Quantitative factors:

The bank monitors the performance based on aging and therefore uses days past due criteria in line with the Bank on Tanzania. The table below shows the stages assigned to various risk groups depending on the number of days past due which is a measure of the significant increase in credit risk: The bank also uses 30 days' rebuttable presumption that credit risk has increased significantly when repayment is on monthly basis and 5 days when repayment is on weekly basis.

RISK GROUP	SALARIED, CORPORATE AND SME, HOUSING AND MORTGAGE LOANS	MICROFINANCE (SGL)	STAGING BASED ON IFRS 9
	NUMBER OF DAYS PAST DUE	NUMBER OF DAYS PAST DUE	
Risk Group 1 (RG1)	Not due	Not due	Stage 1
Risk Group 2 (RG2)	1-30 days	1-5 days	Stage 1
Risk Group 3 (RG3)	31 - 60 days	6-15 days	Stage 2
Risk Group 4 (RG4)	61-90 days	16 - 30 days	Stage 2
Default Risk Group (RG5)	Above 90 days	Above 30 days	Stage 3

Qualitative factors

There are other factors that are considered by the bank policies in the determination of significant increase in credit risk. They include but not limited to the following:

Significant changes in the terms of the same instrument if it were issued at the reporting date that indicate a change in credit risk since initial recognition, e.g., increase in credit spread; more stringent covenants; increased amounts of collateral or guarantees; or higher income coverage.

Significant changes in external market indicators of credit risk for the same financial instrument (or similar instrument of the borrower), E.g., credit spread; credit default swap prices; length of time or the extent to which the fair value of a financial asset has been less than its amortized cost; other market information related to the borrower, such as changes in the price of a borrower's debt and equity instruments; or external credit rating (actual or expected).

Changes in the Bank's credit management approach in relation to the financial instrument (e.g., based on emerging indicators of changes in the credit risk of the financial instrument, the bank's credit risk management practice is expected to become more active or focused on managing the instrument, including the instrument becoming more closely monitored or controlled, or the bank specifically intervening with the borrower).

Actual or expected adverse changes in business, financial or economic conditions significantly affecting borrower's ability to meet its debt obligations (e.g. increase in interest rates or unemployment rates); operating results of the borrower e.g. declining revenues or margins, increasing operating risks, working capital deficiencies, decreasing asset quality, increased balance sheet leverage, liquidity, management problems or changes in the scope of business or organizational structure (such as the discontinuance of a segment of the business) that results in a significant change in the borrower's ability to meet its debt obligations; or regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations (e.g. a decline in the demand for the borrower's sales product because of a shift in technology).

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**6. FINANCIAL RISK MANAGEMENT (CONTINUED)****6.1 Credit risk (continued)****6.1.3 Expected credit loss measurement****6.1.3.1: Significant increase in credit risk (SICR) (continued)**

Significant changes in the value of collateral or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to pay or otherwise effect the probability of default (e.g. if the value of collateral declines because house prices decline, borrowers in some jurisdictions have a greater incentive to default on their mortgages); or quality of a guarantee provided by a shareholder (or an individual's parents) if the shareholder (or parents) have an incentive and financial ability to prevent default by capital or cash infusion.

Expected changes in the loan documentation (e.g., breach of contract leading to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees).

Significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the group (e.g., increase in delayed contractual payments or number of credit card borrowers expected to approach or exceed their credit limit or who are expected to be paying the minimum monthly amount).

6.1.3.2: Definition of default and credit impaired assets

The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative

The Bank considers a term loan to be in default if the repayments on the loan are more than 90 days past due for all Corporate Loans, Housing and Mortgage, Salaried loans and SME Loans. Term loans under the SGL are in default if the repayments on the loans are more than 30 days past due. See the table in section 6.1.3.1 above.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates he is in significant financial difficulty. These are instances where the borrower is in long-term forbearance, deceased, insolvent, in breach of financial covenant(s), an active market for that financial asset has disappeared because of financial difficulties, Concessions have been made by the lender relating to the borrower's financial difficulty, or it is becoming probable that the borrower will enter bankruptcy.

6.1.3.3: Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a -12month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a -12month or lifetime basis, where -12month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be expected lifetime of the loan.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.3 Expected credit loss measurement

6.1.3.3: Measuring ECL – Explanation of inputs, assumptions and estimation techniques

- The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis. The -12month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

6.1.3.4: Forward-looking information incorporated in the ECL models

The calculation of ECL incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

In the expected credit losses models, the Bank relies on a broad range of forward-looking information as economic factors, which includes:

- Interest rate.
- Gross domestic product GDP.
- Population.
- Employment, Labor force.
- Money supply.
- Exchange rate.
- Household spending.
- Foreign reserve.
- Inflation.

The bank tested correction between macroeconomic variables and Historical data per segments, the highest correction selected and applied to a specific segment to forecast the future probability of default, recovery rate and cure rate. The Historical and forecasted economic variables have been adopted from among of the big three credit rating agencies in the world with the most recent forecast made in 2020.

Sensitivity Analysis

The bank has sensitized the assumptions affecting the ECL allowance based on weightings and macro-economic variables applied.

Weightings assigned to each economic scenario into Base line (%80), Best Case (%10) and worst case (%10), by taking Base line (%50), Best Case (%25) and worst case (%25) the bank ECL would change as indicated below

The bank has sensitized the assumptions affecting the ECL allowance based on weightings and macro-economic variables applied.

Weightings assigned to each economic scenario into Base line (%80), Best Case (%10) and worst case (%10), by taking Base line (%50), Best Case (%25) and worst case (%25) the bank ECL would change as indicated below:

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**6. FINANCIAL RISK MANAGEMENT (CONTINUED)****6.1 Credit risk (continued)****6.1.3 Expected credit loss measurement (continued)****6.1.3.4: Forward-looking information incorporated in the ECL models (continued)****Sensitivity Analysis (continued)**

YEAR ENDED 31 DECEMBER 2022			
SEGMENT	BASE LINE (80%), BEST CASE (10%) AND WORST CASE (10%)	BASE LINE (50%), BEST CASE (25%) AND WORST CASE (25%)	IMPACT OF CHANGING WEIGHTINGS
Corporate and SME	432,468,789	435,216,524	(2,747,735)
Housing and Mortgage loans	126,999,313	128,364,100	(1,364,787)
Microfinance (SGL)	1,546,490,482	1,533,799,332	12,691,150
Salaried loans	7,412,100,373	7,838,164,799	(426,064,426)
Total	9,518,058,957	9,935,544,755	(417,485,798)

YEAR ENDED 31 DECEMBER 2021			
SEGMENT	BASE LINE (80%), BEST CASE (10%) AND WORST CASE (10%)	BASE LINE (50%), BEST CASE (25%) AND WORST CASE (25%)	IMPACT OF CHANGING WEIGHTINGS
Corporate and SME	617,183,968	613,869,207	3,314,761
Housing and Mortgage loans	58,885,876	60,283,121	(1,397,245)
Microfinance (SGL)	442,972,502	436,571,115	6,401,387
Salaried loans	5,899,039,817	6,407,932,916	(508,893,099)
Total	7,018,082,163	7,518,656,359	(500,574,196)

The bank tested correction between macroeconomic variables and historical data per segments, the highest correction selected and applied to a specific segment to forecast the future probability of default, recovery rate and cure rate. The following table indicates the impact of increasing each macroeconomic variable selected per segment by 5% per annual.

SEGMENT	ECL AT 31 DECEMBER 2022	ECL AFTER INCREASE OF 5% FOR EACH HIGHEST CORRELATED VARIABLE PER SEGMENT	IMPACT OF CHANGING EACH MACROECONOMIC VARIABLE BY 5% PA
Corporate and SME	432,468,789	204,788,382	227,680,407
Housing and Mortgage loans	126,999,313	86,790,656	40,208,657
Microfinance (SGL)	1,546,490,482	1,548,258,993	-1,768,511
Salaried loans	7,412,100,373	7,083,669,231	328,431,142
Total	9,518,058,957	8,923,507,262	594,551,695

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.3 Expected credit loss measurement (continued)

6.1.3.4: Forward-looking information incorporated in the ECL models (continued)

Sensitivity Analysis (continued)

SEGMENT	ECL AT 31 DECEMBER 2021	ECL AFTER INCREASE OF 5% FOR EACH HIGHEST CORRELATED VARIABLE PER SEGMENT	IMPACT OF CHANGING EACH MACROECONOMIC VARIABLE BY 5% PA
Corporate and SME	617,183,968	623,224,552	(6,040,584)
Housing and Mortgage loans	58,885,876	57,794,202	1,091,674
Microfinance (SGL)	442,972,502	444,678,299	(1,705,797)
Salaried loans	5,899,039,817	5,450,323,827	448,715,990
Total	7,018,082,163	6,576,020,880	442,061,283

6.1.3.5 Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. According to IFRS, the Bank shall group its financial assets into homogenous groups with similar credit risk characteristics for the purpose of credit risk parameters calculation. In the Methodology the process of grouping the portfolio is further referred to as portfolio segmentation. For the purpose of practical implementation, it is assumed that exposures with similar risk profile are allocated to the same risk portfolio, and further to the same risk group within the portfolio. A single risk group within is assumed to be the homogenous group of assets according to the IFRS definition. The segmentation criteria used by the Bank are primarily based on expert judgment and experience of the Bank's employees, supported by statistical verification of historical data where necessary. The general segmentation criteria are presented below:

- **Corporates and SME Loans**- The corporate loans include all overdraft, and all commercial loans granted for duration not exceeding three years for working capital purposes as revolving line of credit, expansion or modernization of the plant and facilities. Except overdraft, Corporate loans & SME loans duration is to a maximum of three years, the corporate commercial loans are for working capital and investment. Both overdraft and corporate commercial loans are secured by legal mortgage or against own fund. These Loans have monthly, quarterly, or semiannual repayment of both principal and interest unlike overdraft where repayment depends on account operations.
- **Housing and Mortgage loans** - The loans are granted for the purpose of house purchase, renovation, and construction. The house finance by the bank is pledged as security. Loans tenure up to 5 years for housing microfinance and 15 years for mortgage with monthly instalment of principal and interest. All housing microfinance is for residential purposes and mortgage for both commercial and residential purposes.
- **Salaried Loans** - This Credit scheme intends to cater for salaried employees' financial needs and in particular to assist salaried employees to gain financial home needs for both public and private sectors employees. A Collective Guarantee Agreement between the bank and the employer shall act as a security for the loan, for loans above TZS 50 million the borrower should pledge security. Employers deduct loans instalment on monthly basis from employees monthly earning. This loan has maximum of 7 years' tenures. The maximum loans amount for is TZS 500 Million for secured and TZS 50 million for unsecured facility.
- **Microfinance (SGL)**- These loans granted to self-employed households and youth, small amount which security is based on group guarantee with weekly regular re-payments and deposits. Loan amounts range from TZS 350,000 to TZS 5,000,000 with loan tenure to maximum of 1 year (12 months). Weekly cash deposit and Group guarantee are the main collateral for this product.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**6. FINANCIAL RISK MANAGEMENT (CONTINUED)****6.1 Credit risk (continued)****6.1.4 Credit risk exposure (continued)****6.1.4.1: Maximum exposure to credit risk – Financial instruments subject to impairment**

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognized. The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets

(a) The bank exposure -All segment

2022	ECL STAGING			
AMOUNTS IN TZS'000 CREDIT GRADE (RISK GROUP)	STAGE 1 12-MONTH ECL	STAGE 2 LIFETIME ECL	STAGE 3 LIFETIME ECL	TOTAL
RG 1	93,256,485	-	-	93,256,485
RG 2	10,247,425	-	-	10,247,425
RG 3	-	5,976,180	-	5,976,180
RG 4	-	4,950,352	-	4,950,352
RG Default	-	-	15,931,904	15,931,904
Gross Carrying amount	103,503,910	10,926,532	15,931,904	130,362,347
Loss allowance	(939,935)	(1,686,638)	(6,891,486)	(9,518,059)
Carrying amount	102,563,975	9,239,894	9,040,418	120,844,288

2021	ECL STAGING			
AMOUNTS IN TZS'000 CREDIT GRADE (RISK GROUP)	STAGE 1 12-MONTH EC	STAGE 2 LIFETIME ECL	STAGE 3 LIFETIME ECL	TOTAL
RG 1	93,164,035	-	-	93,164,035
RG 2	6,949,582	-	-	6,949,582
RG 3	-	4,804,899	-	4,804,899
RG 4	-	3,266,576	-	3,266,576
RG Default	-	-	13,552,169	13,552,169
Gross Carrying amount	100,113,617	8,071,475	13,552,169	121,737,261
Loss allowance	(889,098)	(1,192,714)	(4,936,270)	(7,018,082)
Carrying amount	99,224,519	6,878,761	8,615,899	114,719,179

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Credit risk exposure (continued)

6.1.4.1: Maximum exposure to credit risk – Financial instruments subject to impairment (continued)

The bank exposure for each segment is shown as below.

(b) Corporates and SME Loans

2022	ECL STAGING			
Amounts in TZS'000	STAGE 1 12-MONTH ECL	STAGE 2 LIFETIME ECL	STAGE 3 LIFETIME ECL	TOTAL
Credit grade (Risk Group)				
RG 1	30,145,224	-	-	30,145,224
RG 2	3,495,203	-	-	3,495,203
RG 3	-	1,678,196	-	1,678,196
RG 4	-	1,860,636	-	1,860,636
RG Default	-	-	3,477,565	3,477,565
Gross Carrying amount	33,640,427	3,538,832	3,477,565	40,656,824
Loss allowance	(59,981)	(57,274)	(315,214)	(432,469)
Carrying amount	33,580,446	3,481,558	3,162,351	40,224,355

2021	ECL STAGING			
AMOUNTS IN TZS'000	STAGE 1 12-MONTH ECL	STAGE 2 LIFETIME ECL	STAGE 3 LIFETIME ECL	TOTAL
Credit grade (Risk Group)				
RG 1	27,476,518	-	-	27,476,518
RG 2	2,288,445	-	-	2,288,445
RG 3	-	1,643,427	-	1,643,427
RG 4	-	396,754	-	396,754
RG Default	-	-	3,498,999	3,498,999
Gross Carrying amount	29,764,963	2,040,181	3,498,999	35,304,143
Loss allowance	(130,228)	(9,723)	(477,233)	(617,184)
Carrying amount	29,634,735	2,030,458	3,021,766	34,686,959

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Credit risk exposure (continued)

6.1.4.1: Maximum exposure to credit risk – Financial instruments subject to impairment (continued)

(c) Housing and Mortgage loans

2022	ECL STAGING			
Amounts in TZS'000	STAGE 1 12-MONTH ECL	STAGE 2 LIFETIME ECL	STAGE 3 LIFETIME ECL	TOTAL
Credit grade (Risk Group)				
RG 1	10,415,852	-	-	10,415,852
RG 2	2,116,861	-	-	2,116,861
RG 3	-	984,552	-	984,552
RG 4	-	515,676	-	515,676
RG Default	-	-	1,859,280	1,859,280
Gross Carrying amount	12,532,713	1,500,228	1,859,280	15,892,221
Loss allowance	(13,925)	(16,235)	(96,839)	(126,999)
Carrying amount	12,518,788	1,483,993	1,762,440	15,765,222

2021	ECL Staging			
Amounts in TZS'000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade (Risk Group)				
RG 1	8,845,442	-	-	8,845,442
RG 2	1,523,659	-	-	1,523,659
RG 3	-	658,406	-	658,406
RG 4	-	485,175	-	485,175
RG Default	-	-	1,741,788	1,741,788
Gross Carrying amount	10,369,100	1,143,581	1,741,788	13,254,469
Loss allowance	(5,862)	-	(53,024)	(58,886)
Carrying amount	10,363,238	1,143,581	1,688,764	13,195,583

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**6. FINANCIAL RISK MANAGEMENT (CONTINUED)****6.1 Credit risk (continued)****6.1.4 Credit risk exposure (continued)****6.1.4.1: Maximum exposure to credit risk – Financial instruments subject to impairment (continued)****(d) Salaried loans**

2022	ECL STAGING			
Amounts in TZS'000	STAGE 1 12-MONTH ECL	STAGE 2 LIFETIME ECL	STAGE 3 LIFETIME ECL	TOTAL
Credit grade (Risk Group)				
RG 1	48,985,119	-	-	48,985,119
RG 2	3,802,985	-	-	3,802,985
RG 3	-	2,431,224	-	2,431,224
RG 4	-	930,307	-	930,307
RG Default	-	-	7,979,178	7,979,178
Gross Carrying amount	52,788,104	3,361,531	7,979,178	64,128,813
Loss allowance	(836,511)	(1,534,851)	(5,040,738)	(7,412,100)
Carrying amount	51,951,593	1,826,680	2,938,440	56,716,713

2021	ECL STAGING			
AMOUNTS IN TZS'000	STAGE 1 12-MONTH ECL	STAGE 2 LIFETIME ECL	STAGE 3 LIFETIME ECL	TOTAL
Credit grade (Risk Group)				
RG 1	52,117,295	-	-	52,117,295
RG 2	2,162,814	-	-	2,162,814
RG 3	-	1,449,503	-	1,449,503
RG 4	-	944,541	-	944,541
RG Default	-	-	6,925,689	6,925,689
Gross Carrying amount	54,280,109	2,394,044	6,925,689	63,599,842
Loss allowance	(747,826)	(1,168,338)	(3,982,876)	(5,899,040)
Carrying amount	53,532,283	1,225,706	2,942,813	57,700,802

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Credit risk exposure (continued)

6.1.4.1: Maximum exposure to credit risk – Financial instruments subject to impairment (continued)

(e) Microfinance

2022	ECL STAGING			
Amounts in TZS'000	STAGE 1 12-MONTH ECL	STAGE 2 LIFETIME ECL	STAGE 3 LIFETIME ECL	TOTAL
Credit grade (Risk Group)				
RG 1	3,710,290	-	-	3,710,290
RG 2	832,376	-	-	832,376
RG 3	-	882,209	-	882,209
RG 4	-	1,643,732	-	1,643,732
RG Default	-	-	2,615,881	2,615,881
Gross Carrying amount	4,542,666	2,525,941	2,615,881	9,684,488
Loss allowance	(29,517)	(78,278)	(1,438,695)	(1,546,490)
Carrying amount	4,513,149	2,447,663	1,177,186	8,137,998

2021	ECL STAGING			
AMOUNTS IN TZS'000	STAGE 1 12-MONTH ECL	STAGE 2 LIFETIME ECL	STAGE 3 LIFETIME ECL	TOTAL
Credit grade (Risk Group)				
RG 1	4,724,781	-	-	4,724,781
RG 2	974,664	-	-	974,664
RG 3	-	1,053,563	-	1,053,563
RG 4	-	1,440,106	-	1,440,106
RG Default	-	-	1,385,693	1,385,693
Gross Carrying amount	5,699,445	2,493,669	1,385,693	9,578,807
Loss allowance	(5,182)	(14,653)	(423,137)	(442,973)
Carrying amount	5,694,263	2,479,016	962,556	9,135,834

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**6. FINANCIAL RISK MANAGEMENT (CONTINUED)****6.1 Credit risk (continued)****6.1.4 Credit risk exposure (continued)****6.1.4.1: Maximum exposure to credit risk – Financial instruments subject to impairment (continued)****(f) Off balance sheet exposures**

2022	ECL STAGING			
Amounts in TZS'000	STAGE 1 12-MONTH ECL	STAGE 2 LIFETIME ECL	STAGE 3 LIFETIME ECL	TOTAL
Credit grade (Risk Group)				
RG 1	9,766,436	-	-	9,766,436
Carrying amount	9,766,436	-	-	9,766,436

2021	ECL STAGING			
	STAGE 1 12-MONTH ECL	STAGE 2 LIFETIME ECL	STAGE 3 LIFETIME ECL	TOTAL
Credit grade (Risk Group)				
RG 1	8,372,759	-	-	8,372,759
Carrying amount	8,372,759	-	-	8,372,759

(g) Other financial instruments

Other financial assets are in stage 1. ECL was determined to be immaterial and therefore has not been recorded. See the summary of the maximum exposures below.

	2022	2021
Amounts in TZS'000	TOTAL	TOTAL
Financial Asset	12-month ECL	12-month ECL
Cash balances with Bank of Tanzania	15,431,928	15,923,620
Amounts due from other Banks and financial institutions	3,963,844	2,286,048
Other assets	1,799,769	336,289
Government securities	41,302,462	28,616,539
Gross carrying amount	62,498,003	47,162,496
Loss allowance	-	-
Carrying amount	62,498,003	47,162,496

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**6. FINANCIAL RISK MANAGEMENT (CONTINUED)****6.1 Credit risk (continued)****6.1.4 Credit risk exposure (continued)****6.1.4.2 Collateral and other credit enhancements**

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are updated when the loan is up for renewal or when the loan is individually assessed as impaired.

For loans and advances to customers, the amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. The main types of collateral obtained are as follows:

- For SGL, the security is group guarantee, cash cover as well as movable assets.
- For micro and small medium enterprises (MSME); collateral over residential properties.
- For salaried loans; employers' guarantees.
- For housing micro finance and mortgages; over residential properties.
- For Corporate loans, collateral over residential properties.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, except for asset-backed securities and similar instruments, which are secured by portfolios of financial instruments. The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period. The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below

As at 31 December 2022	GROSS EXPOSURE	IMPAIRMENT ALLOWANCE	CARRYING AMOUNT	FAIR VALUE OF COLLATERAL HELD
Credit-impaired assets (stage 3)	TZS'000	TZS'000	TZS'000	TZS'000
Corporates and SME Loans	3,477,565	315,214	3,162,351	6,527,691
Housing and Mortgage loans	1,859,280	96,839	1,762,441	3,409,587
Salaried loans	7,979,178	5,040,738	2,938,440	152,000
Microfinance (SGL)	2,615,881	1,438,695	1,177,186	64,528
Total credit impaired assets	15,931,904	6,891,486	9,040,418	10,153,806

As at 31 December 2021	GROSS EXPOSURE	IMPAIRMENT ALLOWANCE	CARRYING AMOUNT	FAIR VALUE OF COLLATERAL HELD
Credit-impaired assets (stage 3)	TZS'000	TZS'000	TZS'000	TZS'000
Corporates and SME Loans	3,498,999	477,233	3,021,766	7,069,665
Housing and Mortgage loans	1,741,788	53,024	1,688,765	3,779,298
Salaried loans	6,925,689	3,982,876	2,942,813	152,000
Microfinance (SGL)	1,385,693	423,137	962,556	87,846
Total credit impaired assets	13,552,169	4,936,270	8,615,900	11,088,809

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.5: Gross carrying amount

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance was as follows.

- New loans booking/disbursements which increases stage 1, the bank do not have purchased credit impaired.
- Write off loans gross carrying amount which resulted to decrease in impairment for stage 3 and
- Restructuring of credit accommodation/Modification of contractual cash flows of financial assets.

The following table further explains changes in the gross carrying amount of each segmented portfolio to help explain their significance to the changes in the loss allowance for the same portfolio.

(a) Gross loans for the year 2022	STAGE 1	STAGE 2	STAGE 3	
Amounts in TZS'000	12-MONTH ECL	LIFETIME ECL	LIFETIME ECL	TOTAL
As at 1 January 2022	100,113,617	8,071,475	13,552,169	121,737,261
Movements				
Transfer from stage 1 to stage 2	(5,442,559)	4,670,326	-	(772,233)
Transfer from stage 1 to stage 3	(4,349,932)	-	2,919,216	(1,430,716)
Transfer from stage 2 to stage 1	903,334	(886,948)	-	16,386
Transfers from stage 2 to stage 3	-	(2,971,431)	2,237,363	(734,068)
Transfer from stage 3 to stage 1	258,114	-	(184,265)	73,849
Transfer from stage 3 to stage 2	-	299,492	(371,485)	(71,993)
Remained in stage	(8,832,790)	(178,099)	(711,371)	(9,722,260)
Financial assets derecognized during the period other than write-offs	(18,694,658)	(2,163,895)	(792,063)	(21,650,616)
Write-offs	-	-	(1,455,530)	(1,455,530)
New financial assets originated or purchased	39,548,784	4,085,612	737,870	44,372,266
Gross carrying amount as at 31 December 2022	103,503,910	10,926,532	15,931,904	130,362,347

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.5: Gross carrying amount (continued)

(a) Gross loans for the year 2022	Stage 1	Stage 2	Stage 3	
Amounts in TZS'000	12-month ECL	Lifetime ECL	Lifetime ECL	Total
As at 1 January 2021	82,476,595	5,659,060	16,631,970	104,767,626
Movements				
Transfer from stage 1 to stage 2	(4,261,730)	3,628,909	-	(632,821)
Transfer from stage 1 to stage 3	(4,355,345)	-	2,895,357	(1,459,988)
Transfer from stage 2 to stage 1	1,219,528	(1,172,871)	-	46,657
Transfers from stage 2 to stage 3	-	(2,170,628)	1,647,974	(522,654)
Transfer from stage 3 to stage 1	226,050	-	(105,722)	120,328
Transfer from stage 3 to stage 2	-	57,218	(34,578)	22,640
Remained in stage	(3,938,999)	(118,905)	(724,323)	(4,782,227)
Financial assets derecognized during the period other than write-offs	(14,569,682)	(959,882)	(1,243,735)	(16,773,299)
Write-offs	(23,653)	(10,187)	(6,212,363)	(6,246,203)
New financial assets originated or purchased	43,340,851	3,158,761	697,590	47,197,202
Gross carrying amount as at 31 December 2021	100,113,617	8,071,475	13,552,169	121,737,261

(b) Corporates and SME Loans	STAGE 1	STAGE 2	STAGE 3	
Amounts in TZS'000	12-MONTH ECL	LIFETIME ECL	LIFETIME ECL	TOTAL
As at 1 January 2022	29,764,963	2,040,181	3,498,999	35,304,143
Movements				
Transfer from stage 1 to stage 2	(1,421,511)	994,645	-	(426,866)
Transfer from stage 1 to stage 3	(1,125,395)	-	793,124	(332,271)
Transfer from stage 2 to stage 1	210,408	(223,198)	-	(12,790)
Transfers from stage 2 to stage 3	-	(489,532)	450,127	(39,405)
Transfer from stage 3 to stage 1	3,086	-	(442)	2,644
Transfer from stage 3 to stage 2	-	120,532	(166,277)	(45,745)
Remained in stage	(4,094,481)	(77,076)	(149,668)	(4,321,225)
Financial assets derecognized during the period other than write-offs	(10,486,057)	(1,102,559)	(169,066)	(11,757,682)
Write-offs	-	-	(1,010,460)	(1,010,460)
New financial assets originated or purchased	20,789,415	2,275,840	231,227	23,296,482
Gross carrying amount as at 31 December 2022	33,640,428	3,538,833	3,477,564	40,656,825

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**6. FINANCIAL RISK MANAGEMENT (CONTINUED)****6.1 Credit risk (continued)****6.1.5: Gross carrying amount (continued)**

(b) Corporates and SME Loans	STAGE 1	STAGE 2	STAGE 3	
Amounts in TZS'000	12-MONTH ECL	LIFETIME ECL	LIFETIME ECL	TOTAL
As at 1 January 2021	18,754,803	859,652	3,179,837	22,794,292
Movements				
Transfer from stage 1 to stage 2	(1,141,804)	759,863	-	(381,941)
Transfer from stage 1 to stage 3	(840,859)	-	610,921	(229,938)
Transfer from stage 2 to stage 1	51,811	(73,312)	-	(21,501)
Transfers from stage 2 to stage 3	-	(231,329)	217,046	(14,283)
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
Remained in stage	(2,003,615)	(84,417)	(61,451)	(2,149,483)
Financial assets derecognized during the period other than write-offs	(7,200,031)	(68,269)	(546,812)	(7,815,112)
Write-offs	-	-	(3,481)	(3,481)
New financial assets originated or purchased	22,144,657	877,994	102,938	23,125,589
Gross carrying amount as at 31 December 2021	29,764,9632	2,040,182	3,498,998	35,304,142

(c) Housing and Mortgage loans	STAGE 1	STAGE 2	STAGE 3	
Amounts in TZS'000	12-MONTH ECL	LIFETIME ECL	LIFETIME ECL	TOTAL
As at 1 January 2022	10,369,100	1,143,581	1,741,788	13,254,469
Movements				
Transfer from stage 1 to stage 2	(1,277,609)	1,078,607	-	(199,004)
Transfer from stage 1 to stage 3	(324,746)	-	277,600	(47,146)
Transfer from stage 2 to stage 1	44,406	(119,052)	-	(74,646)
Transfers from stage 2 to stage 3	-	(493,578)	463,571	(30,007)
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	821	(4,121)	(3,301)
Remained in stage	(1,026,154)	(52,554)	(73,572)	(1,152,280)
Financial assets derecognized during the period other than write-offs	(1,637,714)	(112,811)	(127,169)	(1,877,694)
Write-offs	-	-	(445,070)	(445,070)
New financial assets originated or purchased	6,385,431	55,214	26,252	6,466,897
Gross carrying amount as at 31 December 2022	12,532,714	1,500,228	1,859,279	15,892,221

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.5: Gross carrying amount (continued)

(c) Housing and Mortgage loans	Stage 1	Stage 2	Stage 3	
Amounts in TZS'000	12-month ECL	Lifetime ECL	Lifetime ECL	Total
As at 1 January 2021	7,491,121	1,279,183	1,607,827	10,378,131
Movements				
Transfer from stage 1 to stage 2	(501,770)	418,997	-	(82,773)
Transfer from stage 1 to stage 3	(244,074)	-	229,431	(14,643)
Transfer from stage 2 to stage 1	562,784	(710,450)	-	(147,666)
Transfers from stage 2 to stage 3	-	(246,142)	237,502	(8,640)
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
Remained in stage	(672,484)	(10,826)	(143,067)	(826,377)
Financial assets derecognized during the period other than write-offs	(1,163,202)	(292,257)	(306,676)	(1,762,135)
Write-offs	-	(2,488)	(105,577)	(108,065)
New financial assets originated or purchased	4,896,725	707,564	222,348	5,826,637
Gross carrying amount as at 31 December 2021	10,369,100	1,143,581	1,741,788	13,254,469

(d) Salaried loans	STAGE 1	STAGE 2	STAGE 3	
Amounts in TZS'000	12-MONTH ECL	LIFETIME ECL	LIFETIME ECL	TOTAL
As at 1 January 2022	54,280,109	2,394,044	6,925,689	63,599,842
Movements				
Transfer from stage 1 to stage 2	(1,659,594)	1,412,145	-	(247,449)
Transfer from stage 1 to stage 3	(1,425,513)	-	1,175,368	(250,145)
Transfer from stage 2 to stage 1	313,406	(301,059)	-	12,347
Transfers from stage 2 to stage 3	-	(801,557)	707,302	(94,256)
Transfer from stage 3 to stage 1	227,336	-	(174,272)	53,065
Transfer from stage 3 to stage 2	-	130,661	(185,458)	(54,797)
Remained in stage	(4,413,486)	(138,242)	(363,565)	(4,915,293)
Financial assets derecognized during the period other than write-offs	(5,134,547)	(259,587)	(424,507)	(5,818,641)
Write-offs	-	-	-	-
New financial assets originated or purchased	10,600,392	925,127	318,622	11,844,141
Gross carrying amount as at 31 December 2022	52,788,103	3,361,532	7,979,178	64,128,813

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.5: Gross carrying amount (continued)

(d) Salaried loans	Stage 1	Stage 2	Stage 3	
Amounts in TZS'000	12-month ECL	Lifetime ECL	Lifetime ECL	Total
As at 1 January 2021	50,176,702	1,662,038	8,651,538	60,490,278
Movements				
Transfer from stage 1 to stage 2	(1,511,605)	1,185,097	-	(326,508)
Transfer from stage 1 to stage 3	(1,693,520)	-	1,304,654	(388,866)
Transfer from stage 2 to stage 1	200,345	(179,755)	-	20,590
Transfers from stage 2 to stage 3	-	(826,200)	752,553	(73,647)
Transfer from stage 3 to stage 1	159,173	-	(96,789)	62,384
Transfer from stage 3 to stage 2	-	22,212	(25,774)	(3,562)
Remained in stage	(2,169,990)	(94,481)	(499,247)	(2,763,719)
Financial assets derecognized during the period other than write-offs	(4,637,917)	(134,518)	(339,643)	(5,112,078)
Write-offs	(19,458)	(7,699)	(3,107,877)	(3,135,034)
New financial assets originated or purchased	13,776,380	767,351	286,274	14,830,005
Gross carrying amount 31 Dec 2021	54,280,109	2,394,044	6,925,689	63,599,842

(e) Microfinance (SGL)	STAGE 1	STAGE 2	STAGE 3	
Amounts in TZS'000	12-MONTH ECL	LIFETIME ECL	LIFETIME ECL	TOTAL
As at 1 January 2022	5,699,445	2,493,670	1,385,693	9,578,807
Movements				
Transfer from stage 1 to stage 2	(1,083,845)	1,184,930	-	101,085
Transfer from stage 1 to stage 3	(1,474,278)	-	673,124	(801,154)
Transfer from stage 2 to stage 1	335,115	(243,639)	-	91,475
Transfers from stage 2 to stage 3	-	(1,186,763)	616,363	(570,400)
Transfer from stage 3 to stage 1	27,692	-	(9,552)	18,140
Transfer from stage 3 to stage 2	-	47,478	(15,629)	31,849
Remained in stage	701,332	89,772	(124,565)	666,539
Financial assets derecognized during the period other than write-offs	(1,436,339)	(688,938)	(71,321)	(2,196,599)
Write-offs	-	-	-	-
New financial assets originated or purchased	1,773,546	829,431	161,769	2,764,746
Gross carrying amount as at 31 December 2022	4,542,666	2,525,941	2,615,881	9,684,488

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**6. FINANCIAL RISK MANAGEMENT (CONTINUED)****6.1 Credit risk (continued)****6.1.5: Gross carrying amount (continued)**

(e) Microfinance (SGL)	Stage 1	Stage 2	Stage 3	
Amounts in TZS'000	12-month ECL	Lifetime ECL	Lifetime ECL	Total
As at 1 January 2021	6,053,968	1,858,188	3,192,768	11,104,924
Movements				
Transfer from stage 1 to stage 2	(1,106,550)	1,264,952	-	158,402
Transfer from stage 1 to stage 3	(1,576,891)	-	750,351	(826,540)
Transfer from stage 2 to stage 1	404,587	(209,353)	-	195,234
Transfers from stage 2 to stage 3	-	(866,957)	440,872	(426,085)
Transfer from stage 3 to stage 1	66,878	-	(8,934)	57,944
Transfer from stage 3 to stage 2	-	35,005	(8,804)	26,201
Remained in stage	907,091	70,820	(20,559)	957,352
Financial assets derecognized during the period other than write-offs	(1,568,532)	(464,837)	(50,604)	(2,083,973)
Write-offs	(4,194)	-	(2,995,427)	(2,999,622)
New financial assets originated or purchased	2,523,088	805,852	86,030	3,414,970
Gross carrying amount as at 31 December 2021	5,699,445	2,493,670	1,385,693	9,578,807

6.1.6: Loss allowance

The loss allowance recognized in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL.
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period.
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models.
- Impacts on the measurement of ECL due to changes made to models and assumptions.
- Discounts unwind within ECL due to the passage of time, as ECL is measured on a present value basis.
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period).

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**6. FINANCIAL RISK MANAGEMENT (CONTINUED)****6.1 Credit risk (continued)****6.1.6: Loss allowance (continued)**

(a) Loss allowance 2022	STAGE 1	STAGE 2	STAGE 3	
Amounts in TZS'000	12-MONTH ECL	LIFETIME ECL	LIFETIME ECL	TOTAL
As at 1 January 2022	889,098	1,192,714	4,936,270	7,018,082
Movements				
Transfer from stage 1 to stage 2	(56,256)	769,908	-	713,652
Transfer from stage 1 to stage 3	(35,554)	-	1,130,897	1,095,342
Transfer from stage 2 to stage 1	21,052	(138,825)	-	(117,772)
Transfers from stage 2 to stage 3	-	(421,034)	797,803	376,769
Transfer from stage 3 to stage 1	8,852	-	(104,513)	(95,661)
Transfer from stage 3 to stage 2	-	36,892	(112,802)	(75,910)
Remained in stage	(15,501)	10,236	566,952	561,686
Financial assets derecognized during the period other than write-offs	(62,159)	(136,829)	(270,075)	(469,063)
Write-offs	-	-	(341,246)	(341,246)
New financial assets originated or purchased	190,403	373,575	288,200	852,178
Gross carrying amount as at 31 December 2022	939,935	1,686,638	6,891,486	9,518,059

(a) Loss allowance 2022	Stage 1	Stage 2	Stage 3	
Amounts in TZS'000	12-month ECL	Lifetime ECL	Lifetime ECL	Total
As at 1 January 2021	683,815	496,818	5,562,443	6,743,076
Movements				
Transfer from stage 1 to stage 2	(34,736)	582,509	-	547,773
Transfer from stage 1 to stage 3	(32,597)	-	986,618	954,021
Transfer from stage 2 to stage 1	5,453	(54,833)	-	(49,380)
Transfers from stage 2 to stage 3	-	(227,322)	506,458	279,136
Transfer from stage 3 to stage 1	1,831	-	(52,270)	(50,438)
Transfer from stage 3 to stage 2	-	13,377	(15,772)	(2,395)
Remained in stage	(9,499)	12,688	317,931	321,120
Financial assets derecognized during the period other than write-offs	(52,830)	(34,434)	(203,790)	(291,053)
Write-offs	(221)	(2,569)	(2,354,949)	(2,357,739)
New financial assets originated or purchased	327,883	406,479	189,600	923,962
Gross carrying amount as at 31 December 2021	889,098	1,192,714	4,936,270	7,018,082

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**6. FINANCIAL RISK MANAGEMENT (CONTINUED)****6.1 Credit risk (continued)***6.1.6: Loss allowance (continued)*

(b) Corporates and SME Loans	STAGE 1	STAGE 2	STAGE 3	
Amounts in TZS'000	12-MONTH ECL	LIFETIME ECL	LIFETIME ECL	TOTAL
As at 1 January 2022	130,228	9,723	477,233	617,184
Movements				
Transfer from stage 1 to stage 2	(1,786)	20,767	-	18,981
Transfer from stage 1 to stage 3	(1,048)	-	7,974	6,926
Remained in stage	(73,180)	2,195	161,408	90,424
Financial assets derecognized during the period other than write-offs	(417)	(6,850)	(57)	(7,323)
Write-offs	-	-	(341,246)	(341,246)
New charge/(release)	6,184	31,439	-	37,622
As at 31 December 2021	59,981	57,274	315,214	432,469

(b) Corporates and SME Loans	STAGE 1	STAGE 2	STAGE 3	
Amounts in TZS'000	12-MONTH ECL	LIFETIME ECL	LIFETIME ECL	TOTAL
As at 1 January 2021	3,745	471	384,563	388,779
Movements				
Transfer from stage 1 to stage 2	(82)	-	-	(82)
Transfer from stage 1 to stage 3	(39)	-	57	18
Remained in stage	(1,606)	-	97,108	95,502
Financial assets derecognized during the period other than write-offs	(1,035)	(471)	(4,756)	(6,262)
New charge/(release)	129,244	9,723	261	139,228
As at 31 December 2021	130,228	9,723	477,233	617,184

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**6. FINANCIAL RISK MANAGEMENT (CONTINUED)****6.1 Credit risk (continued)****6.1.6: Loss allowance (continued)**

(c) Housing and Mortgage loans	STAGE 1	STAGE 2	STAGE 3	
Amounts in TZS'000	12-MONTH ECL	LIFETIME ECL	LIFETIME ECL	TOTAL
As at 1 January 2022	5,862	-	53,024	58,886
Movements				
Transfer from stage 1 to stage 2	(24)	15,461	-	15,436
Remained in stage	3,291	774	43,816	47,880
New charge/(release)	4,797	-	-	4,797
As at 31 December 2022	13,926	16,234	96,839	126,999

(c) Housing and Mortgage loans	Stage 1	Stage 2	Stage 3	
Amounts in TZS'000	12-month ECL	Lifetime ECL	Lifetime ECL	Total
As at 1 January 2021	-	-	22,747	22,747
Movements				
Remained in stage	-	-	50,642	50,642
Financial assets derecognized during the period other than write-offs	-	-	(13,743)	(13,743)
Write-offs	-	-	(6,622)	(6,622)
New charge/(release)	5,862	-	-	5,862
As at 31 December 2021	5,862	-	53,024	58,886

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.6: Loss allowance (continued)

(d) Salaried loans	STAGE 1	STAGE 2	STAGE 3	
Amounts in TZS'000	12-MONTH ECL	LIFETIME ECL	LIFETIME ECL	TOTAL
As at 1 January 2022	747,826	1,168,338	3,982,876	5,899,040
Movements				
Transfer from stage 1 to stage 2	(53,860)	693,009	-	639,150
Transfer from stage 1 to stage 3	(31,966)	-	753,748	721,782
Transfer from stage 2 to stage 1	18,124	(138,266)	-	(120,142)
Transfers from stage 2 to stage 3	-	(409,737)	453,583	43,846
Transfer from stage 3 to stage 1	8,602	-	(102,079)	(93,477)
Transfer from stage 3 to stage 2	-	35,038	(108,631)	(73,594)
Remained in stage	37,678	(12,044)	108,259	133,894
Financial assets derecognized during the period other than write-offs	(60,859)	(128,369)	(251,346)	(440,574)
New charge/(release)	170,965	326,880	204,328	702,174
As at 31 December 2022	836,511	1,534,851	5,040,738	7,412,100

(d) Salaried loans	Stage 1	Stage 2	Stage 3	
Amounts in TZS'000	12-month ECL	Lifetime ECL	Lifetime ECL	Total
As at 1 January 2021	677,337	485,290	4,371,800	5,534,426
Movements				
Transfer from stage 1 to stage 2	(34,551)	574,897	-	540,345
Transfer from stage 1 to stage 3	(30,378)	-	764,195	733,816
Transfer from stage 2 to stage 1	4,860	(54,151)	-	(49,291)
Transfers from stage 2 to stage 3	-	(218,831)	364,297	145,467
Transfer from stage 3 to stage 1	1,736	-	(50,084)	(48,348)
Transfer from stage 3 to stage 2	-	13,039	(13,337)	(298)
Remained in stage	(10,473)	10,031	162,385	161,944
Financial assets derecognized during the period other than write-offs	(51,610)	(32,600)	(173,778)	(257,988)
Write-offs	(221)	(2,569)	(1,610,286)	(1,613,076)
New charge/(release)	191,127	393,231	167,684	752,042
As at 31 December 2021	747,826	1,168,338	3,982,876	5,899,040

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**6. FINANCIAL RISK MANAGEMENT (CONTINUED)****6.1 Credit risk (continued)****6.1.6: Loss allowance (continued)**

(e) Microfinance (SGL)	STAGE 1	STAGE 2	STAGE 3	
Amounts in TZS' 000	12-MONTH ECL	LIFETIME ECL	LIFETIME ECL	TOTAL
As at 1 January 2022	5,182	14,653	423,137	442,973
Movements				
Transfer from stage 1 to stage 2	(586)	40,672	-	40,086
Transfer from stage 1 to stage 3	(2,541)	-	369,175	366,634
Transfer from stage 2 to stage 1	2,928	(559)	-	2,369
Transfers from stage 2 to stage 3	-	(11,298)	334,319	323,022
Transfer from stage 3 to stage 1	250	-	(2,434)	(2,184)
Transfer from stage 3 to stage 2	-	1,854	(4,170)	(2,316)
Remained in stage	16,710	19,310	253,468	289,488
Financial assets derecognized during the period other than write-offs	(884)	(1,611)	(18,672)	(21,166)
Write-offs	-	-	-	-
New charge/(release)	8,457	15,257	83,871	107,585
As at 31 December 2022	29,517	78,278	1,438,695	1,546,490

(e) Microfinance (SGL)	Stage 1	Stage 2	Stage 3	
Amounts in TZS' 000	12-month ECL	Lifetime ECL	Lifetime ECL	Total
As at 1 January 2021	2,732	11,057	783,333	797,123
Movements				
Transfer from stage 1 to stage 2	(103)	7,612	-	7,509
Transfer from stage 1 to stage 3	(2,180)	-	222,367	220,187
Transfer from stage 2 to stage 1	593	(682)	-	(89)
Transfers from stage 2 to stage 3	-	(8,491)	142,161	133,670
Transfer from stage 3 to stage 1	95	-	(2,186)	(2,091)
Transfer from stage 3 to stage 2	-	338	(2,435)	(2,097)
Remained in stage	2,580	2,656	7,797	13,033
Financial assets derecognized during the period other than write-offs	(185)	(1,363)	(11,513)	(13,061)
Write-offs	-	-	(738,041)	(738,041)
New charge/(release)	1,650	3,525	21,655	26,829
As at 31 December 2021	5,182	14,653	423,137	442,973

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.7 Concentration of risks of financial assets with credit risk exposure

The following table breaks down the Bank's credit exposure at carrying amounts, as categorized by the industry sectors of the Bank's counterparties. The bank's financial assets are all confined within Tanzania and therefore no separate disclosure for geographical segmentation was considered necessary.

2022 (TZS'000)	FINANCIAL INSTITUTION	WHOLESALE AND RETAIL TRADE	INDIVIDUAL	OTHER	TOTAL
Balances with Bank of Tanzania	15,431,928	-	-	-	15,431,928
Balances due from other banks	3,963,844	-	-	-	3,963,844
Government securities	41,302,462	-	-	-	41,302,462
Other assets	-	-	-	1,891,090	1,891,090
Loans and advances to customers	-	40,224,355	80,623,314	-	120,847,669
Total on balance sheet	60,698,234	40,224,355	80,623,314	1,891,090	183,436,993
Guarantees and indemnities	-	7,986,779	-	-	7,986,779
Commitments to extend credit	-	1,779,657	-	-	1,779,657
Total off-balance sheet	-	9,766,436	-	-	9,766,436

2021 (TZS'000)	FINANCIAL INSTITUTION	WHOLESALE AND RETAIL TRADE	INDIVIDUAL	OTHER	TOTAL
Balances with Bank of Tanzania	15,923,620	-	-	-	15,923,620
Balances due from other banks	2,286,048	-	-	-	2,286,048
Government securities	28,616,539	-	-	-	28,616,539
Other assets	-	-	-	336,289	336,289
Loans and advances to customers	-	35,285,621	79,430,192	-	114,715,813
Total on balance sheet	46,826,207	35,285,621	79,430,192	336,289	161,878,309
Guarantees and indemnities	-	6,821,408	-	-	6,821,408
Commitments to extend credit	-	1,551,351	-	-	1,551,351
Total off-balance sheet	-	8,372,759	-	-	8,372,759

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.8 Repossessed collateral

During the year, the Bank did not obtain assets by taking possession of collateral held as security. Repossessed properties are usually sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

6.1.9 Write-off policy

The Bank writes off loans as and when the Board of Directors approves after accepting the recommendations by the management that the loans are irrecoverable. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that proceeds from collateral will not be sufficient to pay back the entire exposure. During the year TZS 1.37 billion was written off for loans qualifying for write off as per regulatory requirements. The bank is still enforcing recovery measures on the balance.

6.2 Market risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, and foreign exchange rates. The Bank separates exposures to market risk into either trading or non-trading portfolios. The market risks arising from trading and non-trading activities are concentrated in the Bank's treasury department and monitored regularly. Regular reports are submitted to the Board of Directors and heads of department.

Market risk measurement techniques

The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimizing the return on risk. The principal measurement technique used to measure and control market risk is the stress tests as outlined below.

6.2.1 Foreign exchange risk

Stress tests

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by the Bank covers: interest rate, credit, foreign exchange, and liquidity risks, where stress movements are applied to each risk category to assess the overall impact and the Bank's capital resilience to different market risk factor shocks. The results of the stress tests are reviewed by the Asset and Liability Management Committee (ALCO) and reported to the Board of Directors. Below are the results of stress test in relation to foreign exchange, interest rate, credit and liquidity risks as at 31 December 2022.

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency which is monitored daily. The Bank's net foreign currency exposure as at 31 December 2022 was TZS 428 million (2021: TZS 1.75 billion). The bank stress test for forex exchange fluctuation is shown in the below table

YEAR	RISK CATEGORY	IMPACT ON STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	IMPACT ON CORE CAPITAL
2022	Exchange rate: fluctuates by 10%	Decrease/increase profit before tax by TZS 43 million.	Reduce/increase profit before tax by TZS 43 million.
2021	Exchange rate: fluctuates by 10%	decrease/increase profit before tax by TZS 175 million.	Reduce/increase profit before tax by TZS 175 million

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.1 Foreign exchange risk (continued)

The Bank is exposed mainly to USD currency for which as at 31 December 2022 the exposure is summarized in the table below (All amounts expressed in equivalent Tanzanian Shillings).

2022	TZS'000	USD '000	GBP '000	EURO '000	OTHER '000	TOTAL '000
Assets						
Cash and balances with Bank of Tanzania	15,437,829	3,361,299	42,564	164,054	-	19,005,746
Balances due from other banks	2,306,420	1,639,069	7,991	8,285	2,079	3,963,844
Government securities held to maturity	41,302,462	-	-	-	-	41,302,462
Equity investment	2,040,200	-	-	-	-	2,040,200
Loans and advances to customers	110,284,313	10,563,356	-	-	-	120,847,669
Other assets exclude prepayment and stationeries	1,799,769	-	-	-	-	1,799,769
Total financial assets	173,170,993	15,563,724	50,555	172,340	2,079	188,959,690
Liabilities						
Deposits due to banks	12,653,557	11,280,678	-	-	-	23,934,235
Deposits due to customers	137,089,978	4,851,177	-	49	290	141,941,494
Borrowings	11,900,791	-	-	-	-	11,900,791
Lease liability	1,965,500	918,133	-	-	-	2,883,633
Other liabilities	726,729	14,161	-	-	-	740,890
Total financial liabilities	164,336,555	17,064,149	-	49	290	181,401,043
Net gap of foreign exchange risk	11,680,737	(652,296)	50,555	172,290	1,789	11,253,075

The bank manages foreign exchange gaps by using currency swap instrument and short-term interbank borrowings.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**6. FINANCIAL RISK MANAGEMENT (CONTINUED)****6.2 Market risk (continued)****6.2.1 Foreign exchange risk (continued)**

2022	TZS'000	USD '000	GBP '000	EURO '000	OTHER '000	TOTAL '000
Off Balance sheet						
Guarantees and indemnities	7,986,779	-	-	-	-	7,986,779
Commitments to extend credit	1,779,657	-	-	-	-	1,779,657
Total off-balance sheet	9,766,436	-	-	-	-	9,766,436
Net off balance sheet	9,766,436	-	-	-	-	9,766,436
2021	TZS'000	USD '000	GBP '000	EURO '000	OTHER '000	Total '000
Assets						
Cash and balances with Bank of Tanzania	15,165,284	4,564,478	46,050	138,248	139,500	20,053,560
Balances due from other banks	1,373,694	632,751	9,392	266,613	3,598	2,286,048
Government securities held to maturity	28,616,539	-	-	-	-	28,616,539
Equity investment	2,040,200	-	-	-	-	2,040,200
Loans and advances to customers	108,107,173	6,608,640	-	-	-	114,715,813
Other assets exclude prepayment and stationeries	336,289	-	-	-	- t	336,289
Total financial assets	155,639,179	11,805,869	55,442	404,861	143,098	168,048,449

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.1 Foreign exchange risk (continued)

2021	TZS'000	USD '000	GBP '000	EURO '000	OTHER '000	Total '000
Liabilities						
Deposits due to banks	22,317,974	2,431,778	-	-	-	24,749,752
Deposits due to customers	114,981,946	10,308,846	-	277	350	125,291,419
Borrowings	8,426,352	-	-	-	-	8,426,352
Lease liability	2,137,747	1,408,848	-	-	-	3,546,595
Other liabilities	694,972	13,689	-	-	-	708,661
Total financial liabilities	148,558,991	14,163,161	-	277	350	162,722,779
Net gap of foreign exchange risk	9,763,387	(2,357,292)	55,442	404,584	142,748	8,008,869
The bank manages foreign exchange gaps by using currency swap instrument and short-term interbank borrowings.						
Off Balance sheet						
Guarantees and indemnities	6,821,408	-	-	-	-	6,821,408
Commitments to extend credit	1,551,351	-	-	-	-	1,551,351
Total off-balance sheet	8,372,759	-	-	-	-	8,372,759
Net off balance sheet	8,372,759	-	-	-	-	8,372,759

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.2 Interest rate risk

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

Interest margins may increase because of changes in the prevailing levels of market rates but may also decrease or create losses if unexpected movements arise. The Board sets limits on the level of mismatch of interest re-pricing that may be undertaken. Consequently, the interest sensitivity effects on profit or loss would not be significant given the re-pricing frequency.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the bank's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. Aggregate non-trading interest rate risk positions are managed by treasury, which uses investment securities, advances to banks, deposits from banks and derivative instruments to manage the positions.

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market rates on its financial position and cash flows. The table below summarizes the exposure to interest rates risks. Included in the table are the Bank's assets and liabilities at carrying amounts categorized by the earlier of contractual re-pricing or maturity dates. The Bank does not bear an interest rate risk on off balance sheet items. The stress test for interest rate risk summaries below.

YEAR	RISK CATEGORY	IMPACT ON STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	IMPACT ON CORE CAPITAL
2022	Interest rate risk: stress reduce interest margin by 5%	Reduce profit before tax by TZS 238 million	Reduce profit before tax by TZS 238 million
2021	Interest rate risk: stress reduce interest margin by 5%	Reduce profit before tax by TZS 404 million	Reduce profit before tax by TZS 404 million

The table presented here in shows the exposure to interest rate risks.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.2 Interest rate risk (continued)

As at 31 December 2022	UP TO 1 MONTH TZS'000	1 - 3 MONTHS TZS'000	3 - 12 MONTHS TZS'000	OVER 1 YEAR TZS'000	NON- INTEREST BEARING TZS'000	TOTAL TZS'000
Assets						
Cash and Bank balances with Bank of Tanzania	-	-	-	-	19,005,746	19,005,746
Loans and balance to banks	3,963,844	-	-	-	-	3,963,844
Equity investment	-	-	-	-	2,040,200	2,040,200
Loans and advances to customers	9,622,062	5,807,773	22,303,789	83,114,045	-	120,847,669
Government securities	501,642	-	13,896,930	26,903,891	-	41,302,463
Other assets	1,799,769	-	-	-	-	1,799,769
Total assets	15,887,317	5,807,773	36,200,719	110,017,936	21,045,946	188,959,691
Liabilities						
Due to other banks	22,090,800	-	1,839,096	-	4,339	23,934,235
Deposit from customers	32,510,354	20,800,529	53,674,002	17,049,028	17,907,581	141,941,494
Borrowings	193,779	-	1,556,221	10,150,791	-	11,900,791
Lease liability	131,019	-	1,790	2,750,824	-	2,883,633
Other liabilities	-	-	-	-	740,890	740,890
Total liabilities and equity	54,925,952	20,800,529	57,071,109	29,950,643	18,652,810	181,401,043
Interest sensitivity gap	(39,038,635)	(14,992,756)	(20,870,390)	80,067,293	2,393,136	7,558,648

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.2 Interest rate risk (continued)

As at 31 December 2021	Up to		1 - 3		3 - 12		Over		Non-interest		Total
	1 Month	1 Month	Months	Months	Months	Months	1 year	1 year	Bearing	Bearing	
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Assets											
Cash and Bank balances with Bank of Tanzania	-	-	-	-	-	-	-	-	20,053,560	-	20,053,560
Loans and balance to banks	2,286,048	-	-	-	-	-	-	-	-	-	2,286,048
Equity investment	-	-	-	-	-	-	-	-	2,040,200	-	2,040,200
Loans and advances to customers	6,441,572	4,389,101	17,146,189	86,608,027	-	-	-	-	-	-	114,715,813
Government securities	-	-	2,122,013	26,494,526	-	-	-	-	-	-	28,616,540
Other assets	336,289	-	-	-	-	-	-	-	-	-	336,289
Total assets	9,063,909	4,389,101	19,268,202	113,102,553	22,093,760	167,917,525					
Liabilities											
Due to other banks	8,475,077	5,279,275	10,995,400	-	-	-	-	-	-	-	24,749,752
Deposit from customers	25,992,767	17,304,493	46,056,889	11,676,235	24,261,035	125,291,419	-	-	-	-	8,426,352
Borrowings	-	-	701,815	7,724,537	-	-	-	-	-	-	3,546,595
Lease liability	-	-	980,311	2,566,284	-	-	-	-	-	-	708,661
Other liabilities	-	-	-	-	-	-	-	-	-	-	162,722,779
Total liabilities and equity	34,467,844	22,583,768	58,734,415	21,967,056	24,969,696	162,722,779					
Interest sensitivity gap	(25,403,935)	(18,194,667)	(39,466,213)	91,135,497	(2,875,936)	5,194,746					

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**6. FINANCIAL RISK MANAGEMENT (CONTINUED)****6.3 Liquidity risk**

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend. Analysis of the Bank's assets and liabilities into relevant maturity groupings is set out in note 6.3.3.

6.3.1 Liquidity risk management

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Institution's reputation.

Treasury department maintains a portfolio of short-term liquid assets, largely made up of short-term liquid Government securities, deposits from institutions and other inter-Bank facilities, to ensure that sufficient liquidity is maintained within the institution as a whole. All liquidity policies and procedures are subject to review by Assets and Liabilities Committee and approval by the Board.

The Bank manages the liquidity structure of assets, liabilities and commitments so that cash flows are appropriately matched to ensure that all funding obligations are met when due. Banking operations are such that mismatch of assets and liabilities according to their maturity profiles cannot be avoided. However, Directors ensure that the mismatch is controlled in line with allowable risk levels and includes:

- Day-to-day funding managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers. The Bank maintains an active presence in money markets to enable this to happen;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of gap analysis, maturity ladder as well as cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

6.3.2 Funding approach

Sources of liquidity are regularly reviewed by the Bank to maintain a wide diversification by currency, provider, product and term.

6.3.3 Non-derivative financial liabilities and assets held for managing liquidity risk

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual cash flow as at 31 December 2022. The bank does not manage liquidity based on undiscounted cash-flows

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Liquidity risk (continued)

6.3.3 Non-derivative financial liabilities and assets held for managing liquidity risk (Continued)

At 31 December 2022	DUE ON DEMAND	UP TO 1 MONTH	1 - 3 MONTHS	3 - 6 MONTHS	6 - 12 MONTHS	1 - 5 YEARS	TOTAL
Liabilities	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Due to other banks	4,339	22,090,800	-	-	1,839,096	-	23,934,235
Deposits from customers	45,723,260	4,694,675	20,800,529	15,980,410	37,693,592	17,049,028	141,941,494
Borrowings	-	193,779	-	193,779	1,362,442	10,150,791	11,900,791
Lease liability	-	131,019	-	-	1,790	2,750,824	2,883,633
Other liabilities	253,729	487,161	-	-	-	-	740,890
Total liabilities	45,981,328	27,597,434	20,800,529	16,174,189	40,896,920	29,950,643	181,401,043
Cash and Bank balances with Bank of Tanzania	19,005,746	-	-	-	-	-	19,005,746
Loans and balance to banks	3,963,844	-	-	-	-	-	3,963,844
Equity investment	-	-	-	-	-	2,040,200	2,040,200
Loans and advances to customers	6,407,786	3,214,276	5,807,773	7,135,552	15,168,237	83,114,045	120,847,669
Government securities	-	501,641	-	3,821,292	10,075,638	26,903,891	41,302,463
Other assets	-	1,799,769	-	-	-	-	1,799,769
Total assets	29,377,376	5,515,686	5,807,773	10,956,844	25,243,875	112,058,136	165,990,100
Net liquidity gap	(16,603,952)	(22,081,748)	(14,992,756)	(5,217,345)	(15,653,045)	82,107,493	(15,410,943)
Off Balance Sheet							
Guarantees and indemnities	520,639	815,892	2,176,333	3,802,947	511,087	159,881	7,986,779
Commitments to extend credit	-	-	626,162	326,968	826,526	-	1,779,657
Capital commitments	-	-	-	-	179,476	-	179,476
Total	520,639	815,892	2,802,495	4,129,915	1,517,089	159,881	9,945,912

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Liquidity risk (continued)

6.3.3 Non-derivative financial liabilities and assets held for managing liquidity risk (Continued)

AT 31 DECEMBER 2021	DUE ON		UP TO		1 - 3		3 - 6		6 - 12		1 - 5		TOTAL
	DEMAND	1 MONTH	1 MONTH	1 MONTH	MONTHS	MONTHS	MONTHS	MONTHS	MONTHS	MONTHS	YEARS	YEARS	
Liabilities	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Due to other banks	-	8,475,077	5,279,275	-	-	-	-	-	10,995,238	-	-	-	24,749,752
Deposits from customers	54,664,592	7,265,445	17,304,493	19,771,427	26,285,462	11,676,235	125,291,419						
Borrowings	-	-	-	-	-	-	-	-	701,815	7,724,537	8,426,352		
Lease liability	-	-	-	-	-	-	-	-	980,311	2,566,284	3,546,595		
Other liabilities	318,477	390,184	-	-	-	-	-	-	-	-	708,661		
Total liabilities	54,983,069	16,130,706	22,583,768	19,771,427	38,962,826	21,967,056	174,398,852						
Cash and Bank balances with Bank of Tanzania	20,053,560	-	-	-	-	-	20,053,560						
Loans and balance to banks	2,286,048	-	-	-	-	-	2,286,048						
Equity investment	-	-	-	-	-	-	2,040,200						
Loans and advances to customers	4,958,523	1,483,049	4,389,101	5,538,162	11,608,027	86,608,027	114,715,813						
Government securities	-	-	-	845,776	1,276,237	26,494,526	28,616,539						
Other assets	-	336,289	-	-	-	-	336,289						
Total assets	27,298,131	1,819,338	4,389,101	6,383,938	12,884,264	115,142,753	167,917,525						
Net liquidity gap	(27,684,938)	(14,311,368)	(18,194,667)	(13,387,489)	(26,078,562)	93,175,697	(6,481,327)						
Off Balance Sheet													
Guarantees and indemnities	-	-	-	-	5,418,408	1,403,000	6,821,408						
Commitments to extend credit	-	-	-	-	1,551,351	-	1,551,351						
Capital commitments	-	-	-	-	70,740	-	70,740						
Total	-	-	-	-	7,040,499	1,403,000	8,443,499						

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Liquidity risk (continued)

6.3.4: Assets held for managing liquidity risk

The Bank holds a diversified portfolio of cash and high-quality liquid securities to support payment obligations and contingent funding in a stressed market environment. The Bank's assets held for managing liquidity risk comprise:

- Cash and balances with the Bank of Tanzania(excluding SMR);
- Government securities
- Placements with other banks; and
- Loans and advances to customers.

In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended, accordingly the behavioral pattern does not necessarily follow the contractual pattern. The Bank would also be able to meet unexpected net cash outflows by selling investment securities and accessing additional funding sources such as asset-backed markets.

The bank performs the following to manage its liquidity positions:

- Based on its judgement of financial market trends, the Bank actively adjusts its business strategies to manage liquidity risk.
- The bank performs periodic cash flow projections considering its impact on internal and regulatory limits.
- The bank control of non-earning assets proportion to manage its impact on the Bank's overall financial position.
- Conduct regular liquidity stress tests including testing of contingency plans.
- Monitor diversification of funding sources in order to control concentration risk and ensure a satisfactory funding mix.
- Monitoring the level of undrawn commitments.
- Regular conduct of the Asset and Liability management Committee (ALCO) meetings which focuses on:
 - Establishing policies and tolerance levels, from both risk and return perspectives, for liquidity, interest rate and balance sheet valuation management.
 - Manage the intra-day liquidity position to ensure that payment and settlement obligations are met on a timely basis.
 - Strategic financial position planning from both risk and return perspective.
 - Strategically coordinate the management of the Bank's financial position in consideration of changing economic conditions.

6.4 Fair value of financial assets and liabilities

IFRS 13 requires the Bank to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The Bank specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Valuation technique used is comparison with similar instruments for which observable market prices exist. This technique requires use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.4 Fair value of financial assets and liabilities (continued)

Financial instruments not measured at fair value:

Bank's financial assets and financial liabilities that are measured at fair value on recurring basis

2022	LEVEL 1	LEVEL 2	LEVEL 3
Assets	TZS '000	TZS '000	TZS '000
Equity Investments	-	-	2,040,200
Government securities – FVOCI	-	27,639,102	-
Total assets	-	27,639,102	2,040,200

2021	LEVEL 1	LEVEL 2	LEVEL 3
Assets	TZS '000	TZS '000	TZS '000
Equity Investments	-	-	2,040,200
Government securities – FVOCI	-	-	-
Total assets	-	-	2,040,200

The following table analyses within the fair value hierarchy the Bank's assets and liabilities measured at amortized cost at 31 December 2022.

31 December	2022			2022	
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL FAIR VALUES	TOTAL CARRYING VALUE
				TZS'000'	TZS'000
Cash and balances with Bank of Tanzania	-	19,005,746	-	19,005,746	19,005,746
Loans and balance to banks	-	3,963,844	-	3,963,844	3,963,844
Government securities	-	13,663,360	-	13,663,360	13,663,360
Loans and balance with customers	-	120,847,669	-	120,847,669	120,847,669
Other assets (excluding prepayments)	-	-	1,799,769	1,799,769	1,799,769
Total assets	-	157,480,619	1,799,769	159,280,388	159,280,388
Due to other banks	-	23,934,235	-	23,934,235	23,934,235
Deposit from customers	-	141,941,494	-	141,941,494	141,941,494
Borrowings	-	11,900,791	-	11,900,791	11,900,791
Lease liabilities	-	-	2,883,633	2,883,633	2,883,633
Other liabilities (excluding statutory deductions)	-	-	740,890	740,890	740,890
	-	177,776,520	3,624,523	181,401,043	181,401,043

The fair values and carrying values are the same since most of the financial assets and liabilities are predominantly short term in nature.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.4 Fair value of financial assets and liabilities (continued)

Financial instruments not measured at fair value: (continued):

31 DECEMBER	2021			2021	
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL FAIR VALUES	TOTAL CARRYING VALUE
				TZS'000'	TZS'000
Cash and balances with Bank of Tanzania	-	20,053,558	-	20,053,558	20,053,558
Loans and balance to banks	-	2,286,048	-	2,286,048	2,286,048
Government securities	-	28,616,539	-	28,616,539	28,616,539
Loans and balance with customers	-	114,715,813	-	114,715,813	114,715,813
Other assets (excluding prepayments)	-	-	336,289	336,289	336,289
Total assets	-	165,671,958	336,289	166,008,247	166,008,247
Due to other banks	-	24,749,752	-	24,749,752	24,749,752
Deposit from customers	-	125,291,419	-	125,291,419	125,291,419
Borrowings	-	8,426,352	-	8,426,352	8,426,352
Lease liabilities	-	-	3,546,595	3,546,595	3,546,595
Other liabilities (excluding statutory deductions)	-	-	708,661	708,661	708,661
		158,467,523	4,255,256	162,722,779	162,722,779

6.5 Capital management

The Bank of Tanzania has set, among other measures, the rules, and ratios to monitor adequacy of a Bank's capital, monitored daily and monthly, for supervisory purposes. In implementing current capital requirements, the Bank of Tanzania requires maintenance of a prescribed ratio of total capital to total risk-weighted assets in two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capitals, which includes qualifying subordinated liabilities and the element of fair value reserve relating to unrealized gains on equity instruments classified as held to collect and sale.

Various limits are applied to elements of the capital base; qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 50% of tier 1 capital. Tier 1 capital (Core capital) is also subjected to various limits like limitation in risk weighted assets by 12.5% and investments in movable and immovable assets not to exceed 70% of core capital.

The primary objectives of the Bank's capital management which is a broader concept than the 'equity' on the face of statement of financial positions are:

- To comply with the capital requirements set by the Bank of Tanzania (BOT) while safeguarding the Bank's ability to continue as a going concern.
- To maintain strong capital base and a strong credit rating to support the development of its business

Below is the composition of regulatory capital and the ratios of the Bank.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**6. FINANCIAL RISK MANAGEMENT (CONTINUED)****6.5 Capital management (continued)**

REGULATORY CAPITAL	2022	2021
Tier 1 Capital	TZS'000	TZS'000
Share capital	24,061,904	24,061,904
Share premium	4,183,291	4,183,291
Accumulated losses	(3,792,602)	(4,751,930)
Less: Prepaid expenses	(1,013,084)	(1,249,523)
Less: Deferred income tax asset	(5,210,033)	(5,206,655)
Total qualifying Tier 1 Capital	18,229,476	17,037,087
Tier 2 capital	621,482	478,940
	18,850,958	17,516,027
Total regulatory capital		
Risk - weighted assets		
On balance sheet	107,950,727	102,269,087
Off balance sheet	4,310,907	8,372,759
Total risk - weighted assets	112,261,634	110,641,846
Minimum capital for market risks	4,243,909	869,621
Minimum capital for Operational risks	10,026,682	10,026,682
Total adjusted risk weighted assets	126,532,225	121,538,149
Bank Ratios		
Tier 1 (BoT Minimum 12.5%)	14.41%	14.02%
Tier 1+Tier 2 (BoT Minimum 14.5%)	14.90%	14.41%

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**7. SEGMENT REPORTING**

The segment reporting format is determined by Bank's risks and rates of returns based on products and services offered. The Chief Operating Decision Maker (CODM) as at 31 December 2022 was the managing director who is responsible for the day to day running of the business.

The business banking segment have credit facilities include business loans and credit lines that earns both interest income and fees from the loans, trade finance and ledger fee and insurance business that drives revenue.

The Personal Banking deals with personal loans, salary advance, mortgage and housing that drive interest income and facility fees, ATM cards fee, monthly ledger fee and transaction fee over several bank channels.

Microfinance segment offers small loans in group, the loans resulted to earning in interest income and fees from facilities.

Treasury segment deals with investment in bond and bills, interbank placement payable and receivable that drives interest income; Foreign exchange trading and bond trading that contributed to fee and commission.

The geographical areas where the bank operates are 8 branches in Dar es Salaam (2021: 8 branches) and 1 branch in Dodoma. The head office of the bank is located in Dar es Salaam.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. SEGMENT REPORTING (CONTINUED)

The segment information provided to Bank's senior management for the reportable segments for the year ended 31 December 2022 is as follows:

31 December 2022	BUSINESS		PERSONAL		TREASURY		OTHER		TOTAL
	BANKING		BANKING		MICROFINANCE		TREASURY		
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	TZS'000		TZS'000		TZS'000		TZS'000		TZS'000
Interest income	7,029,426		11,915,269		4,415,513		4,733,614		28,607,305
Interest expense	(4,381,080)		(6,931,542)		(15,194)		(1,810,218)		(13,380,278)
Fees, commission, and other income	2,216,212		1,800,395		379,692		-		5,751,715
Foreign exchange income	-		-		-		386,107		386,107
Other operating income	-		-		31,901		3,611,269		4,144,391
Income	4,864,558		6,784,122		4,811,913		6,920,772		25,509,240
Expenses									
Loan impairment credit (charge)	(1,114,217)		(4,136,418)		1,375,769		-		(3,874,865)
Personnel expenses	(2,658,129)		(2,412,139)		(779,887)		(368,479)		(9,993,648)
Depreciation and amortization	(197,754)		(98,877)		(766,299)		(37,079)		(2,621,158)
Administrative and other operating expenses	(607,784)		(303,892)		(2,355,161)		(113,959)		(8,052,221)
Total expenses	(4,577,884)		(6,951,326)		(2,525,578)		(519,517)		(24,541,892)
Profit (Loss) before tax	286,674		(167,204)		2,286,335		6,401,254		967,348
Income tax charge	-		-		-		219,645		(219,645)
Profit for the year	286,674		(167,204)		2,286,335		6,401,254		747,703

The geographical areas where the bank operates are 8 branches in Dar es Salaam and 1 branch in Dodoma. The head office of the bank is located in Dar es Salaam.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**7. SEGMENT REPORTING (CONTINUED)**

31 December 2021	BUSINESS		PERSONAL		TREASURY		OTHER		TOTAL	
	BANKING		BANKING		MICROFINANCE		TREASURY		OTHER	
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	TZS'000		TZS'000		TZS'000		TZS'000		TZS'000	TZS'000
Interest Income	6,470,517		10,764,633		4,567,154		5,815,360		-	27,617,664
Interest Expense	(3,925,643)		(5,011,017)		(10,735)		(2,239,405)		(277,493)	(11,464,293)
Fees, commission, and other income	1,763,236		2,076,924		689,415		-		296,859	4,826,434
Foreign exchange income	-		-		-		280,258		-	280,258
Other operating income	-		-		-		1,223,690		559,815	1,783,505
Income	4,308,110		7,830,540		5,245,834		5,079,903		579,181	23,043,568
Expenses										
Loan impairment credit (charge)	(81,564)		(1,475,277)		(2,269,426)		-		-	(6,503,867)
Personnel expenses	(690,851)		(198,654)		(977,625)		(368,479)		(7,529,676)	(9,765,285)
Administrative and other operating expenses	4,308,110		7,830,540		5,245,834		5,079,903		579,181	(6,435,238)
Depreciation and amortization	(917,977)		(150,830)		(775,696)		(21,547)		(657,971)	(2,524,021)
Total expenses	(4,327,512)		(3,345,235)		(7,245,427)		(445,028)		(9,865,209)	(25,228,411)
Profit before tax	(19,402)		4,485,305		(1,999,593)		4,634,875		(9,286,028)	(2,184,843)
Income tax charge	-		-		-		-		540,783	540,783
Profit for the year	(19,402)		4,485,305		(1,999,593)		4,634,875		(8,745,245)	(1,644,060)

The geographical areas where the bank operates are 8 branches in Dar es Salaam and 1 branch in Dodoma. The head office of the bank is located in Dar es Salaam.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. SEGMENT REPORTING (CONTINUED)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 IN TZS'000												
Assets												
Cash and balances with Bank of Tanzania	-	-	-	-	-	-	19,005,746	-	-	-	-	19,005,746
Loans and balances to banks	-	-	-	-	-	-	3,963,844	-	-	-	-	3,963,844
Government securities	-	-	-	-	-	-	41,302,463	-	-	-	-	41,302,463
Equity investment	-	-	-	-	-	-	-	-	-	-	2,040,200	2,040,200
Loans and advances to customers	40,227,736	-	-	-	-	72,481,935	8,137,998	-	-	-	-	120,847,669
Property and Equipment	-	-	-	-	-	-	-	-	-	-	3,646,824	3,646,824
Intangible assets	-	-	-	-	-	-	-	-	-	-	5,067,216	5,067,216
Corporate tax recoverable	-	-	-	-	-	-	-	-	-	-	2,095,060	2,095,060
Right of use Assets	-	-	-	-	-	-	-	-	-	-	5,494,196	5,494,196
Deferred tax asset	-	-	-	-	-	-	-	-	-	-	5,210,033	5,210,033
Other assets	-	-	-	-	-	-	-	-	-	-	3,230,825	3,230,825
Total assets	40,227,736	-	-	-	-	72,481,935	8,137,998	64,272,053	26,784,352	-	-	211,904,075
Equity												
Share capital	-	-	-	-	-	-	-	-	24,061,904	-	-	24,061,904
Share premium	-	-	-	-	-	-	-	-	4,183,291	-	-	4,183,291
Advance toward share capital	-	-	-	-	-	-	-	-	-	-	-	-
Retained earnings	-	-	-	-	-	-	-	-	(3,792,602)	-	-	(3,792,602)
General banking risk reserve	-	-	-	-	-	-	-	-	3,395,177	-	-	3,395,177
Fair valuation reserve	-	-	-	-	-	-	-	-	621,482	-	-	621,482
Total equity	-	-	-	-	-	-	-	-	28,469,252	-	-	28,469,252
Liabilities												
Deposit from banks	-	-	-	-	-	-	23,934,235	-	-	-	-	23,934,235
Deposits from customers	65,927,731	-	-	-	-	71,406,026	3,170,342	-	1,437,395	-	-	141,941,494
Borrowings	-	-	-	-	-	-	-	11,900,791	-	-	-	11,900,791
Lease liability	-	-	-	-	-	-	-	-	2,883,633	-	-	2,883,633
Other liabilities	-	-	-	-	-	-	-	-	2,774,670	-	-	2,774,670
Total liabilities	65,927,731	-	-	-	-	71,406,026	3,170,342	35,835,026	7,088,978	-	-	183,434,823
Total Equity and liabilities	65,927,731	-	-	-	-	71,406,026	3,170,342	35,835,026	35,191,718	-	-	211,904,075

Items reported under other are those, which are used by all segment and cannot be specifically allocated to any of the segments.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. SEGMENT REPORTING (CONTINUED)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021 IN TZS'000'						
	BUSINESS BANKING	PERSONAL BANKING	MICROFINANCE	TREASURY	OTHER	TOTAL
Assets						
Cash and balances with Bank of Tanzania	-	-	-	20,053,560	-	20,053,560
Loans and balances to banks	-	-	-	2,286,048	-	2,286,048
Government securities	-	-	-	28,616,539	-	28,616,539
Equity investment	-	-	-	-	2,040,200	2,040,200
Loans and advances to customers	42,226,691	63,067,913	9,421,209	-	-	114,715,813
Property and Equipment	-	-	-	-	3,845,700	3,845,700
Intangible assets	-	-	-	-	5,110,821	5,110,821
Corporate tax recoverable	-	-	-	-	2,085,029	2,085,029
Right of use Assets	-	-	-	-	6,305,536	6,305,536
Deferred tax asset	-	-	-	-	5,206,655	5,206,655
Other assets	-	-	-	-	2,187,779	2,187,779
Total assets	42,226,691	63,067,913	9,421,209	50,956,147	26,781,718	192,453,680
Equity						
Share capital	-	-	-	-	24,061,904	24,061,904
Share premium	-	-	-	-	4,183,291	4,183,291
Advance toward share capital	-	-	-	-	-	-
Accumulated losses	-	-	-	-	(4,751,930)	(4,751,930)
General banking risk reserve	-	-	-	-	3,606,802	3,606,802
Fair valuation reserve	-	-	-	-	478,940	478,940
Total equity	-	-	-	-	27,579,007	27,579,007
Liabilities						
Deposit from banks	-	-	-	24,749,752	-	24,749,752
Deposits from customers	54,992,143	66,388,076	3,911,200	-	-	125,291,419
Borrowings	-	-	-	8,426,352	-	8,426,352
Lease liability	-	-	-	-	3,546,595	3,546,595
Other liabilities	-	-	-	-	2,860,555	2,860,555
Total liabilities	54,992,143	66,388,076	3,911,200	33,176,104	6,407,148	164,874,673
Total Equity and liabilities	54,992,143	66,388,076	3,911,200	33,176,104	33,986,155	192,453,680

Items reported under other are those, which are used by all segment and cannot be specifically allocated to any of the segments.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2022	2021
	TZS 000	TZS 000 RESTATED
8.. INTEREST INCOME		
Loans and advances	23,873,691	21,802,304
Government securities	4,628,412	5,768,054
Placements	105,202	47,306
	28,607,305	27,617,664
9. INTEREST EXPENSE		
Time deposits	10,786,789	8,478,050
Long term borrowing	929,893	1,405,861
Interbank borrowing	880,325	833,544
Savings deposits	190,900	147,024
Current accounts	102,840	81,747
Finance cost lease liability	242,244	277,493
Commission expense on deposits	247,287	240,574
	13,380,278	11,464,293
10. FEES AND COMMISSION INCOME		
Loan commitment fees	1,739,416	1,670,991
Ledger fees	879,014	1,050,985
Commission on insurance fees	571,730	598,627
Withdrawal fees	256,485	235,947
Commission charged on transfers	48,117	79,723
Commission on Western Union Transfers	23,780	26,652
Commission on ATM withdrawal charges	190	25,430
Commission on mobile banking	445,763	310,088
Other fees and commissions	695,783	449,726
Drafts and transfers	56,949	29,545
Guarantee and indemnities	1,034,488	348,720
	5,751,715	4,826,434

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2022	2021
	TZS 000	TZS 000 RESTATED
11. FOREIGN EXCHANGE INCOME		
Foreign exchange dealings gains	386,107	280,258
12. OTHER OPERATING INCOME		
Gain on sale of bonds	3,611,269	1,223,690
Other income	533,122	559,815
	4,144,391	1,783,505
13. STAFF COSTS		
Wages and salaries	5,977,364	6,031,437
Pension and retirement benefits	1,204,353	1,219,330
Other staff costs	2,811,931	2,514,518
	9,993,648	9,765,285

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2022	2021
	TZS 000	TZS 000 RESTATED
14. GENERAL AND ADMINISTRATIVE EXPENSES		
Lending expenses	727,387	710,581
Bank charges	28,389	74,133
Legal expenses	47,671	25,314
Consultancy expenses	609,981	278,088
Security expenses	483,744	507,970
Electricity expenses	200,793	205,336
Cleaning, gardening, and water expenses	179,144	170,799
Telephone expenses	229,152	195,214
Insurance expenses	262,256	250,218
Office rent expenses	482,792	398,251
Stationery and consumables	922,666	382,741
Indirect tax expenses	-	277,320
Auditors' remuneration	142,072	218,147
Donations & subscriptions	77,237	117,374
Recruitment expenses	3,493	5,519
Other operational losses	7,589	13,180
Maintenance expenses (Note 16)	2,350,262	1,597,471
Charge/(release) for other assets provisions/allowance	80,228	206,368
Marketing and promotion (Note 17)	799,558	519,833
Corporate governance (Note 18)	416,889	280,466
Other expenses	918	915
	8,052,221	6,435,238
15. DEPRECIATION AND AMORTISATION		
Amortization of leasehold improvement	343,055	298,983
Depreciation of motor vehicles	12,124	72,664
Depreciation of Computer and IT equipment	261,623	158,835
Depreciation furniture & fittings and Machinery	349,101	356,615
Depreciation Right of Use Assets	828,536	889,963
Amortization of intangible assets	826,719	746,961
	2,621,158	2,524,021

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2022 TZS 000	2021 TZS 000 RESTATED
16. MAINTENANCE EXPENSES		
Maintenance premises, furniture & equipment	262,216	143,308
Motor vehicle fuel and repair	287,563	233,161
Software maintenance expenses	1,765,602	1,173,635
Computer & IT equipment	34,881	47,367
	2,350,262	1,597,471
17. MARKETING AND PROMOTION		
Publications	25,890	50,239
Advertisement	9,586	5,830
Magazine and journal	12,397	11,173
Promotion	751,685	452,591
	799,558	519,833
18. CORPORATE GOVERNANCE		
Shareholder's meeting expenses	114,465	135,780
Directors' fees	302,424	144,686
	416,889	280,466
19. INCOME TAX CHARGE/(CREDIT)		
Income tax (expense)/Credit:		
Current income tax- current year	(286,992)	(163,673)
- prior year under provision	-	(9,025)
Deferred income tax - current year (note 30)	134,412	(89,799)
- prior year over provision (note 30)	(67,065)	803,280
	(219,645)	540,783
Reconciliation of accounting profit to tax charge:		
Accounting profit before income tax	967,348	(2,184,843)
Tax (charge)/credit at 30%	290,204	(655,453)
Disallowed expenditure	47,562	745,252
Prior year under provision of income tax	-	9,025
Prior year over provision of deferred tax	67,065	(803,280)
Exempt income	(185,186)	-
Alternative Minimum Tax	-	163,673
	219,645	(540,783)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2022	2021
	TZS 000	TZS 000 RESTATED
20. CASH AND BALANCES WITH BANK OF TANZANIA		
Cash in hand	3,573,818	4,125,826
Balance with Bank of Tanzania	5,599,897	7,257,282
Mobile Money Float	-	4,114
Cheques in the-course of collection	112,302	102,390
Statutory minimum reserve (SMR)	9,719,729	8,563,948
	19,005,746	20,053,560
Current	19,005,746	20,053,560
The SMR deposit is not available to finance the day-to-day operations and is hence excluded from cash and cash equivalents for the purpose of the statement of cash flows (see Note 35). Cash in hand and balances with Bank of Tanzania and SMR are non-interest bearing.		
21. BALANCES DUE FROM OTHER BANKS		
Balances with other banks	3,963,449	2,286,048
Accrued interest	395	-
	3,963,844	2,286,048
Current	3,963,844	2,286,048
22. GOVERNMENT SECURITIES AT AMORTISED COST		
Treasury bills and bonds with more than three months original maturity	13,400,495	27,278,640
Accrued interest	262,865	1,337,899
	13,663,360	28,616,539
GOVERNMENT SECURITIES AT FAIR VALUE OCI		
Treasury bills and bonds with more than three months original maturity	26,907,744	-
Accrued interest	527,726	-
Fair value gain	203,632	-
	27,639,102	-
TOTAL GOVERNMENT SECURITIES	41,302,462	28,616,539
Comprising:		
Current	14,398,571	2,122,013
Non-current	26,903,891	26,494,526
TOTAL GOVERNMENT SECURITIES	41,302,462	28,616,539

As at 31 December 2022, the bank had pledged treasury bonds of TZS 12.9 billion to obtain interbank short-term borrowings and long-term borrowings with maximum tenure of 2 months and 5 years respectively. No conditions have been attached on these collaterals.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2022 TZS 000	2021 TZS 000 RESTATED
23. LOANS AND ADVANCES TO CUSTOMERS		
Loans to individuals and Corporates	115,270,361	104,497,532
Loans to solidarity groups	9,685,349	9,578,724
Overdraft facility	5,410,019	7,657,639
	130,365,728	121,733,895
Allowance for credit losses	(9,518,059)	(7,018,082)
At 31 December	120,847,669	114,715,813
Loan Maturity analysis		
With maturity of 3 months or less	15,429,835	10,830,673
With maturity of between 3 months and 1 year	22,303,789	17,146,189
With maturity of more than 1 year	83,114,045	86,608,027
	120,847,669	114,715,813

Movement in allowance for impairment of loans and advances is as follows.

At 1 Jan	7,018,082	6,743,075
Impairment charge	3,874,865	6,503,867
Write offs	(1,374,889)	(6,228,860)
At 31 December	9,518,059	7,018,082

Additional provision as per Bank of Tanzania Regulations

Regulatory Impairment			
At the beginning of the year		3,606,802	2,944,457
Provision increase/ (decrease) during the year		(211,625)	662,345
At the end of the year		3,395,177	3,606,802

General banking risk reserve represent additional allowance for losses charged to retained earnings. The reserve is not available for distribution.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

			2022	2021
			TZS 000	TZS 000 RESTATED
24.	EQUITY INVESTMENTS AT FVOCI	Interest held		
	Tanzania Mortgage Refinancing Company	5.0%	1,784,200	1,784,200
	Umoja Switch Co. Ltd	37.54%	256,000	256,000
			2,040,200	2,040,200

The Bank has investments in ordinary shares in Tanzania Mortgage Refinancing Company Limited (TMRC) valued at Fair value and Umoja Switch Co. Ltd being founder member of the Switch.

These shares do not have a quoted market price in an active market. The Bank uses share price information provided by TMRC and Umoja Switch to determine the fair value of the investments at the reporting date.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**25. PROPERTY AND EQUIPMENT**

	MACHINERY AND EQUIPMENT	FURNITURE, AND FIXTURE AND FITTING	COMPUTERS AND IT EQUIPMENT	GENERATOR	MOTOR VEHICLE	LEASEHOLD IMPROVEMENT	WORK IN PROGRESS	TOTAL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Cost								
As at 1 January 2022	2,824,626	907,265	1,952,322	400,732	793,564	3,779,095	358,325	11,015,929
Additions	130,855	303,552	117,099	10,343	-	1,514	203,664	767,027
Transfer in/(out)	35,904	50,240	91,132	41,868	-	43,584	(262,728)	-
At 31 December 2022	2,991,385	1,261,057	2,160,553	452,943	793,564	3,824,193	299,261	11,782,956
Depreciation								
As at 1 January 2022	2,184,242	639,176	1,199,281	366,559	781,088	1,999,884	-	7,170,228
Charge for the year	238,692	97,037	261,623	13,372	12,124	343,055	-	965,904
Written off	-	-	-	-	-	-	-	-
At 31 December 2022	2,422,934	736,213	1,460,904	379,931	793,212	2,342,939	-	8,136,132
Net Book Value	568,451	524,844	699,649	73,012	352	1,481,254	299,261	3,646,824

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. PROPERTY AND EQUIPMENT (CONTINUED)

	MACHINERY AND EQUIPMENT	FURNITURE, FIXTURE AND FITTING	COMPUTERS AND IT EQUIPMENT	GENERATOR	MOTOR VEHICLE	LEASEHOLD IMPROVEMENT	WORK IN PROGRESS	TOTAL
Cost	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
As at 1 January 2021	2,564,961	692,736	1,333,891	380,480	793,564	3,312,892	562,787	9,641,311
Additions	225,171	174,161	543,597	20,252	-	340,784	245,707	1,549,672
Transfer in/(out)	34,494	42,723	120,164	-	-	125,419	(322,800)	-
Written off	-	(2,355)	(45,330)	-	-	-	(127,369)	(175,054)
At 31 December 2021	2,824,626	907,265	1,952,322	400,732	793,564	3,779,095	358,325	11,015,928
Depreciation								
As at 1 January 2021	1,886,060	594,823	1,073,500	353,929	708,452	1,700,901	-	6,317,665
Charge for the year	298,181	45,804	158,835	12,630	72,636	298,983	-	887,069
Written off	-	(1,452)	(33,054)	-	-	-	-	(34,506)
At 31 December 2021	2,184,241	639,176	1,199,281	366,559	781,088	1,999,884	-	7,170,228
Net Book Value	640,385	268,090	753,039	34,172	12,476	1,779,211	358,325	3,845,700

Where deemed appropriate, classification for the comparative numbers has been adjusted to align with current year's presentation. Refer to further details in note 4(r)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. INTANGIBLE ASSETS	INTANGIBLE ASSETS	WORK IN PROGRESS	TOTAL
	TZS'000	TZS'000	TZS'000
COST			
At 1 January 2022	9,335,165	439,660	9,774,825
Additions	184,320	598,794	783,114
Work in progress capitalized	293,265	(293,265)	-
At 31 December 2022	9,812,750	745,189	10,557,939
ACCUMULATED AMORTIZATION			
At 1 January 2022	4,664,004	-	4,664,004
Amortization for the year	826,719	-	826,719
At 31 December 2022	5,490,723	-	5,490,723
Net book value	4,322,027	745,189	5,067,216

Work in progress (WIP) includes assets relating to unfinished projects. These projects are still in progress as at 31 December 2022.

	INTANGIBLE ASSETS	WORK IN PROGRESS	TOTAL
	TZS'000	TZS'000	TZS'000
COST			
At 1 January 2021	8,552,891	395,624	8,948,515
Additions	386,650	439,660	826,310
Work in progress capitalized	395,624	(395,624)	-
At 31 December 2021	9,335,165	439,660	9,774,825
ACCUMULATED AMORTIZATION			
At 1 January 2021	3,917,043	-	3,917,043
Amortization for the year	746,961	-	746,961
At 31 December 2021	4,664,004	-	4,664,004
Net book value	4,671,161	439,660	5,110,821

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2022	2021
	TZS 000	TZS 000
27. OTHER ASSETS		
Prepaid expenses	1,013,084	1,249,523
Stationery and consumables	417,972	601,967
Sundry assets	2,350,099	806,391
	3,892,515	2,657,881
Allowance for other assets	(550,330)	(470,102)
	3,230,825	2,187,779
Current	3,230,825	2,187,779
28. INCOME TAX RECOVERABLE		
At 1 January	2,085,029	1,939,384
Over (Under) provision of tax	10,031	(9,025)
Alternative minimum tax charge	-	(163,673)
Corporation tax paid	-	318,343
At 31 December	2,095,060	2,085,029
29. DEPOSITS		
29.a DUE TO OTHER BANKS		
Term deposits	23,916,027	24,438,605
Savings	13,869	13,813
Call deposits	4,339	297,334
	23,934,235	24,749,752
29.b DEPOSITS FROM CUSTOMERS		
Current accounts	17,907,581	24,261,035
Savings deposits	25,477,477	27,838,027
Time deposits	98,556,436	73,192,357
	141,941,494	125,291,419
Current	124,892,466	113,615,184
Non-current	17,049,028	11,676,235
	141,941,494	125,291,419

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**30. DEFERRED INCOME TAX ASSET/(LIABILITY)**

Deferred income taxes are calculated on all temporary differences under the liability method, using the enacted tax rate of 30%

	(CHARGED)/CREDITED TO:			
	AT START OF YEAR	PROFIT OR LOSS	OTHER COMPREHENSIVE INCOME	AT END OF YEAR
	TZS'000	TZS'000	TZS'000	TZS'000
Year ended 31 December 2022:				
Property and equipment	432,148	5,654	-	437,802
Provisions - Loans and advances	2,104,798	750,620	-	2,855,418
Provisions -Other Assets	141,031	24,068	-	165,099
Loss carried forward	2,244,631	(735,523)	-	1,509,108
Commitment fee	364,657	(30,024)	-	334,633
IFRS 16 temporary differences	124,650	49,672	-	174,322
Fair value gain on debt instruments	(205,260)	-	(61,089)	(266,349)
	5,206,655	64,467	(61,089)	5,210,033
Year ended 31 December 2021:				
Property and equipment	468,331	(36,183)	-	432,148
Provisions - Loans and advances	1,998,502	106,296	-	2,104,798
Provision - Other Assets	103,541	37,490	-	141,031
Loss carried forward	1,637,761	606,870	-	2,244,631
Commitment fee	360,910	3,747	-	364,657
IFRS 16 temporary differences	129,389	(4,739)	-	124,650
Fair value gain on debt instruments	(275,409)	-	70,149	(205,260)
	4,423,025	713,481	70,149	5,206,655

Management has done an assessment on the recoverability of the deferred tax asset recognized as at 31 December 2022. Management is comfortable that future tax profits will be available to utilize the tax assets. During the year the bank met 24% of the budgeted profit and the movement of temporary differences have been realized in the profit and loss.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2022	2021
	TZS 000	TZS 000
31. BORROWINGS		
Tanzania Mortgage and Refinance Corporation (TMRC) (a)	7,500,000	3,500,000
BOT term loan (b)	3,000,000	3,000,000
Self-Microfinance (c)	-	-
CRDB Bank (d)	1,224,537	1,833,837
Interest accrued	176,254	92,515
	11,900,791	8,426,352
Current	1,750,000	701,815
Non - Current	10,150,791	7,724,536
	11,900,791	8,426,352
Movement of borrowings:		
At start of year	8,426,352	10,920,248
Proceeds from borrowings	4,000,000	-
Interest expense (Note 9)	929,893	833,544
Interest repayment	(846,153)	(901,789)
Principal repayment	(609,301)	(2,425,651)
At end of year	11,900,791	8,426,352

The bank pledged government bonds worth TZS 7.4 billion to secure the borrowing, all borrowings are fully covered except TMRC loans worth TZS 7.5 billion with bond collateral of TZS 1.0 billion. Detailed analysis for each loan is as provided herein below:

a) TMRC term loan

On 15 July 2019, the Bank renewed a mortgage refinancing loan from TMRC of TZS 2.0 billion. The tenor of the loan is five years and bears interest of 7.50% maturing on 15 July 2024. The Bank also renewed another loan of TZS 1.5 billion from TMRC on 26 February 2019 at the annual interest rate of 9.% with maturity date of five years to 26 February 2024. On 12 April 2022, the bank received a loan of TZS 4.0 billion at the rate of 10.82% maturing on 11 April 2024. The bank is servicing interest on the loans where principal is fully paid on maturity.

At 1 January	3,545,781	3,545,781
Addition	4,000,000	-
Accrued interest during the year	596,853	285,000
Interest repayment	(500,807)	(285,000)
At 31 December	7,641,827	3,545,781

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**31. BORROWINGS (CONTINUED)****b) BOT term loan**

On 31 June 2020, the bank rolled over a housing microfinance loan of TZS 1 billion from the Bank of Tanzania bearing annual interest rate of %10 with maturity date of 31 July 2024. On 31 March 2021 the bank obtained another loan of TZS 2 billion with maturity of 5 years with interest rate of %10 maturing on 31 March 2024 was rebooked too. Effective from August 2021 the BoT reduced the borrowing rate from %10 to %6 prospectively.

	2022	2021
	TZS'000	TZS'000
At 1 January	3,010,685	3,016,712
Accrued interest during the year	180,000	259,891
Interest repayment	(180,329)	(265,918)
At 31 December	3,010,356	3,010,685

c) SELF MICROFINANCE term loan

The bank received a loan of TZS 2 billion on 17 September 2018 with interest rate of 8.7% repayable quarterly. The loan was for three years ended on 17 September 2020. The bank fully repaid the balance in 2020 and borrowed a new loan TZS 2.5 billion for 2 years with quarterly repayment at a rate of 8.5 percent from 3rd April 2020 to 3rd April 2022. This loan was fully liquidated in FY 2021.

At 1 January	-	1,875,000
Loan received	-	127,205
Accrued Interest		(127,205)
Repayment		(1,875,000)
At 31 December	-	-

d) CRDB bank - term loan

On 22 July 2019 the bank received loan of TZS 3 billion from CRDB Bank Plc, the loan carries an annual variable interest rate of 182 T-Bill plus 5% margin (Approx. 10.25% pa) for 5 years repayable on quarterly basis. The facility maturity date is 22 July 2024. Of this amount, the unpaid principal at year end was TZS 1.83 billion.

At 1 January	1,869,886	2,482,755
Accrued interest during the year	153,038	161,448
Interest Repayment	(165,017)	(223,666)
Principal Repayment	(609,301)	(550,651)
At 31 December	1,248,608	1,869,886

As at 31 December 2022, the bank was compliant with all debt covenants attached to the loans.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2022	2021
	TZS'000	RESTATED TZS'000
32. OTHER LIABILITIES		
Accrued expenses	740,411	298,581
Withholding tax and other indirect taxes	171,214	637,789
Sundry creditors	235,887	182,448
Deferred commitment fees	1,115,442	1,215,522
Dividend payable	253,729	318,477
Account's payables	257,987	207,738
	2,774,670	2,860,555
33. SHARE CAPITAL		
Authorized		
400,000,000 (2021:400,000,000) ordinary shares of TZS 250/= each	100,000,000	100,000,000
Issued and fully paid ordinary shares		
97,646,913(2021:97,646,913) shares of TZS 250/= each	24,411,729	24,411,729
Rights issue expenses	(349,825)	(349,825)
Share capital as per the statement of financial position	24,061,904	24,061,904

34. EARNINGS PER SHARE**Basic earnings/(loss) per share**

Basic earnings/ (loss) per share amounts are calculated by dividing net profit/(loss) for the year attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year. The calculation is based on:

	2022	2021
	TZS'000	TZS'000
Profit/(loss) attributable to ordinary shareholders (TZS'000)	747,703	(1,644,060)
Weighted average number of ordinary shares	97,646,913	97,646,913
Basic earnings/(loss) per share - TZS	7.66	(16.84)

Diluted earnings per share was the same as basic earnings per share as the Bank had no potentially dilutive ordinary shares in issue.

35. CASH AND CASH EQUIVALENTS

	2022	2021
	TZS'000	TZS'000
Cash and balances with Bank of Tanzania (excluding SMR) (Note 20)	9,173,715	11,387,222
Balances with other banks (Note 21)	3,963,844	2,286,048
Cheques in the course of collection (Note 20)	112,302	102,390
Basic earnings/(loss) per share - TZS	13,249,861	13,775,660

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2022	2021
	TZS'000	TZS'000
36. LEASES		
(i) Right-of-use assets		
At start of the year	8,897,773	7,781,361
Revaluation	-	-
Additions	34,018	1,116,412
At the end of year	8,931,791	8,897,773
Accumulated Depreciation		
At start of the year	2,592,273	1,702,274
Revaluation	16,786	-
Depreciation charge for the year	828,536	889,963
	3,437,595	2,592,237
NBV at the end of year	5,494,196	6,305,536
(ii) Lease liabilities		
At start of the year	3,546,595	3,172,621
Additions	-	1,029,784
Revaluation	12,747	-
Finance cost (included in interest expense)	242,244	277,493
Payment during the year	(917,953)	(933,303)
At the end of year	2,883,633	3,546,595
Current	132,809	980,311
Non-current	2,750,824	2,566,284
	2,883,633	3,546,595

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**37. RELATED PARTY DISCLOSURES**

The Bank is owned by UTT AMIS (23.69%), Dar es Salaam City Council (10.65%), Ilala Municipal Council (8.12%), Kinondoni Municipal Council (5.74%), Temeke Municipal Council (3.49%), National Health Insurance Fund (6.12%), Ubungu Municipal Council (2.96%), Kigamboni Municipal Council (2.33%) and the General Public (36.89%).

	2022	2021
	TZS'000	TZS'000
Loans to key management personnel:		
Loans outstanding at the beginning of the year	916,103	1,040,042
Loan additions during the year	203,640	268,200
Loan repayments during the year	(154,175)	(392,139)
Loans outstanding at the end of the year	965,568	916,103
Interest income earned	77,245	73,288
Deposits from Directors and key management personnel:		
Deposits at the beginning of the year	126,613	84,733
Deposits received during the year	1,983,747	1,662,377
Deposits repaid during the year	(1,997,438)	(1,620,497)
Deposits as at the end of the year	112,922	126,613
Interest expense	1,694	1,899
Deposits from shareholders		
Deposits at the beginning of the year	9,424,482	4,435,522
Deposits received during the year	16,003,432	17,315,676
Deposits repaid during the year	(17,013,733)	(12,326,716)
Deposits as at the end of the year	8,414,181	9,424,482
Interest expense	126,213	141,367
Key management compensation		
Salaries and other short-term benefits	1,983,747	1,662,377
Post-employment benefits – Social security costs	292,465	247,304
	2,276,212	1,909,681

Key management personnel are described as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly.

Business relationship with the anchor shareholders

The Bank continues to strengthen its relationship with the Municipal Councils, UTT and NHIF via different deposits products. Deposits received and paid from these shareholders during the year is as indicated above.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2022	2021
	TZS'000	TZS'000
37. RELATED PARTY DISCLOSURES (CONTINUED)		
Directors' remuneration		
Directors' remuneration- short term benefits	302,424	144,686
38. CONTINGENT LIABILITIES AND COMMITMENTS		
Contingent liabilities		
Guarantees and indemnities	7,986,779	6,821,408
Undrawn balance	1,779,657	1,551,351
	9,766,436	8 372 759
Capital expenditure	179,476	70,740

Capital commitment for the year 2022 comprises capital expenditure software.

Commitments to extend credit and guarantees

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements. However, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific standards.

Legal claims

Litigation is a common occurrence in banking industry due to the nature of the business. The Bank has established protocol for dealing with such legal claims. Once professional advice has been obtained and the number of damages reasonably estimated, the bank adjusts account for any adverse effects which the claims may have on its financial standing. At year end the bank had no legal claims that can be reasonably estimated

39. DIVIDEND PER SHARE

Dividends are not recognized as a liability until they have been approved at the Annual General Meeting. In 2022 no dividend is proposed (2021: NIL).

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

40. PRIOR YEAR ADJUSTMENTS

		AS PREVIOUSLY STATED	PRIOR YEAR ADJUSTMENT	AS RESTATED
	REFERENCE	TZS'000	TZS'000	TZS'000
(A) Statement of profit or loss				
Year ended 31 December 2020:				
Credit impairment losses and write-offs	(i)	264,727	(5,598)	259,129
General administrative expenses	(ii)	(4,986,355)	(79,818)	(5,066,173)
Income tax charge	(iii)	(563,271)	1,679	(561,592)
Year ended 31 December 2021:				
Credit impairment losses and write-offs	(i)	(3,826,267)	(2,677,600)	(6,503,867)
General administrative expenses	(ii)	(6,157,918)	(277,320)	(6,435,238)
Income tax charge	(iii)	(262,497)	803,280	540,783
Fees and commission income	(iv)	5,116,990	(290,556)	4,826,434
(B) Statement of financial position				
Year ended 31 December 2020:				
Loans and advances to customers	(i)	98,071,452	(5,598)	98,065,854
Other liabilities	(ii)	(2,162,805)	(224,318)	(2,387,123)
Deferred income tax asset	(iii)	4,421,346	1,679	4,423,025
Retained earnings	(i) , (ii) , (iii)	2,217,315	228,210	2,445,525
Year ended 31 December 2021:				
Loans and advances to customers	(i)	117,399,011	(2,683,198)	114,715,813
Other liabilities	(ii)	(2,358,942)	(501,613)	(2,860,555)
Deferred income tax asset	(iii)	4,401,696	804,959	5,206,655
Other assets	(iv)	2,478,335	(290,556)	2,187,779
Retained earnings	(i) , (ii) , (iii) , (iv)	229,900	4,522,030	4,751,930
Regulatory banking risk reserve	(v)	(1,755,178)	(1,851,624)	(3,606,802)

- (i) Underestimation of impairment provision arising from ECL model input errors
- (ii) Provision for tax assessments by the Tanzania Revenue Authority
- (iii) Deferred income tax on additional impairment provisions
- (iv) Write off for unamortized deferred commission expenses
- (v) Regulatory provisions impact of the underestimation of impairment provision

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**40. PRIOR YEAR ADJUSTMENTS (CONTINUED)**

	As previously stated	Presentation correction (vi)	Prior year adjustment (PYA)	As restated	Reference for PYA column
	2021			2021	
	TZS'000	TZS'000		TZS'000	
Cash flows from operating activities					
Profit/(Loss) before income tax	1,060,634	(1)	(3,245,476)	(2,184,843)	(i) , (ii) (iii) , (iv)
Adjusted for:					
Net interest income	(16,153,371)	16,153,371	-	-	
Depreciation and amortization	2,524,021	(28)	-	2,523,993	
Interest expense on borrowings	833,544	-	-	833,544	
Dividend received	(34,779)	-	-	(34,779)	
Finance cost on Lease liability	277,493	-	-	277,493	
Other movements	-	(229,716)	-	(229,716)	
Exchange rate effects	(32,442)	-	-	(32,442)	
Write off of fixed assets	140,521	27	-	140,548	
	(11,384,379)	15,923,653	(3,245,476)	1,293,798	
Changes in operating assets and liabilities:					
Change in statutory minimum reserve	(1,475,233)	-	-	(1,475,233)	
Change in loans and advances to customers	(19,327,505)	(54)	2,677,600	(16,649,959)	(i)
Change in other assets	(678,882)	86,652	290,556	(301,674)	(iv)
Change in deposits from banks	(2,765,176)	1,274	-	(2,763,902)	
Change in deposits from customers	25,272,265	515,308	-	25,787,573	
Change in other liabilities	196,137	(25)	277,320	473,432	(ii)
Change in government securities	4,425,104	667,148	-	5,092,252	
Cash generated/(used) in operations	(5,737,669)	17,193,956	-	11,456,287	
Interest received	28,052,203	28,052,203	-	-	
Interest paid	(10,948,985)	(10,948,985)	-	-	
Income tax paid	(318,345)	2	-	(318,343)	
Net cash generated from operating activities	11,047,204	90,740	-	11,137,944	
Cash flows from investing activities					

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**40. PRIOR YEAR ADJUSTMENTS (CONTINUED)**

	As previously stated	Presentation correction (vi)	Prior year adjustment (PYA)	As restated	Reference for PYA column
	2021			2021	
	TZS'000	TZS'000		TZS'000	
Purchase of property and equipment	(1,549,673)	1	-	(1,549,672)	
Purchases of intangible assets	(826,310)	-	-	(826,310)	
Purchases of right of use assets	-	(86,628)	-	(86,628)	
Investment in shares	(217,000)	-	-	(217,000)	
Dividend received	34,779	-	-	34,779	
Net cash used in investing activities	(2,558,204)	(86,627)	-	(2,644,831)	
Cash flows from financing activities					
Lease payment-principal	(655,810)	-	-	(655,810)	
Lease payment-interest	(277,493)	-	-	(277,493)	
Principal repayments of borrowings	(2,425,651)	-	-	(2,425,651)	
Interest repayments of borrowings	(901,789)	-	-	(901,789)	
Net cash used in financing activities	(4,260,743)	-	-	(4,260,743)	
Increase in cash and cash equivalents	4,228,257	4,113	-	4,232,370	
At start of year	9,514,961	(4,113)	-	9,510,848	
Exchange rate effects	32,442	-	-	32,442	
At end of the year	13,775,660	-	-	13,775,660	
(i)	Underestimation of impairment provision arising from ECL model input errors				
(ii)	Provision for tax assessments by the Tanzania Revenue Authority				
(iii)	Deferred income tax on additional impairment provisions				
(iv)	Write off of unamortized deferred commission expenses				
(vi)	Presentation errors in the prior year including mixing of indirect and direct method				

41. IMPACT OF THE RUSSIA/UKRAINE CONFLICT

The Russian invasion of Ukraine ('the invasion'), alongside the imposition of international sanctions, have a pervasive economic impact, not only on businesses within Russia and Ukraine, but also globally where businesses engage in economic activities that might be affected by the recent developments. This necessitates careful consideration of the resulting accounting implications by entities who are affected by these developments.

The bank has assessed the current impact of the Russia and Ukraine war that is impacting the world's economy. The war will not have a significant adverse impact on the bank's operations. The directors are of the view that the bank has capacity to withstand the possible economic shocks that may arise from the crisis.



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